



Office efficiency

Japanese get their standing orders



Telecommunications in Business

New Zealand

Exports put the bounce back

FINANCIAL TIMES

Eastman Kodak plans to spin off its chemicals unit

Eastman Kodak, the US photographics products company, plans to spin off its Eastman chemicals business by the end of 1993 as a separate, publicly quoted company with some \$4bn in annual sales. The move follows shareholder pressure for Kodak to improve its financial performance. Page 15



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Kenneth Clarke. Britain's new chancellor of the exchequer, sought to define his economic policy by underlining his commitment to growth as well as to low inflation. In an anxiously awaited speech to the City of London, Mr Clarke said Britain could

not rely on recovery alone to cut its £50bn (\$77bn) annual budget deficit, but would also have to act tough on public spending. Page 14 and Lex; Editorial Comment, Page 13

Scuffles in Japanese parliament: Fighting broke out in parliament as senior members of Japan's ruling Liberal Democratic party argued over the merits of reforming the political system. Page 14; Bankruptcy rates fall, Page 4

Murdoch takes HK media stake: Rupert Murdoch's News Corporation is to pay HK\$1.85bn (\$240m) for a 22 per cent stake in Television Broadcasts, one of Hong Kong's two domestic television companies. Page 15

US inflation slows: US consumer prices rose 0.1 per cent last month and by 3.2 per cent in the year to May, providing further evidence that inflationary pressures are moderating. Page 6

Saudi oil merger: Saudi Arabia is to merge Samarec, its oil refining and marketing arm, with Saudi Aramco, its oil production company, to create the world's largest oil concern. Page 15

Kravchuk seeks to boister power: Ukraine's president Leonid Kravchuk called for a referendum on the country's constitutional structure and early parliamentary elections. Page 3 Rothschild Bank, Zurich affiliate of NM

Rothschild of London, has made provisions of SFr270.9m (\$187m) against bad loans in the past two years, more than previously estimated. Page 15 Times to close Dundee plant: Times is to close its electronics plant in Dundee, Scotland,

after unions rejected an offer to reinstate the sacked workforce on lower wages. Page 14 National Semiconductor. US chipmaker

which last year restructured its global operations. reported record sales and earnings for 1992-93, lifted by a strong fourth quarter. Page 17

SPD backs telecoms self-off: Germany's opposition Social Democrats will support the government's plan to privatise Deutsche Telekom, the state-owned telecoms monopoly. Page 2

Call for scrapping of Nigeria poll: The party running second in Nigeria's presidential election called for the results to be cancelled because of "rigging". Moshood Abiola, the business tycoon, appeared to heading for victory. Page 4

Fokker launches regional Jet: Fokker, Dutch aircraft manufacturer 51 per cent owned by Deutsche Aerospace, began production of its 79-seat regional jet, having won \$400m worth of orders from Indonesia. Page 5

Cambodia rebel takes refuge: Prince Norodom Chakrapong, leader of a five-day-old Cambodian secessionist movement, took refuge

Malawi opposition claims victory: Malawi opposition groups claimed victory in a referendum over the one-party rule of President Kamuzu Banda and demanded he be replaced by a coalition government of national unity. Page 4

Recall of Brezhnev era leader: Azerbaijan's Brezhnev era KGB and communist party chief, Heidar Aliyev, was elected chairman of the former

Soviet republic's parliament. Page 3 Aideed may stand trial: Somali warlord, General Mohammed Farah Aideed, will be brought to trial if an inquiry confirms allegations that he ordered the ambush that led to the death of

23 Pakistani peacekeepers, the UN said. Page 4 James Hunt dies: James Hunt, Britain's world formula one motor racing champion in 1976, died after a heart attack at his home in Wimbledon. south London. He was 45.

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Davignon attacks EC 'timidity' on unemployment

Industrialist calls for US-style labour flexibility to meet import competition

By Lionel Barber in Brussels

VISCOUNT Etienne Davignon, one of Europe's most powerful industrialists, has launched a scathing attack on EC political leaders. He accuses them of being too timid to deal with the unemplovment crisis.

Mr Davignon said in an interview with the Financial Times that European industry should consider adopting American-style labour market flexibility to strengthen manufacturing against competition from Asia and the US.

Mr Jacques Delors, president of the European Commission, will make a personal presentation on the EC's failure to create new jobs at the EC summit in Copenhagen on Monday. Mr Delors is said to be ready to

tackle the sensitive issue of whether Europe's welfare state is indirectly contributing to low growth, but reluctant to disavow the Maastricht treaty's social

Mr Davignon, a senior member of the European Commission in the early 1980s and now chair-man of Société Générale de Belgique, the biggest holding company in Belgium, said he was worried about industry polarising along free-market and protectionist lines in the EC.

Instead, it was necessary to adopt a new approach to job creation, with more short-time working and flexible hiring and greater attention to fostering

small businesses.

"This is a very tough message," he said, "but if you look at history in the US, the jobs and growth have not come from large companies like General Motors, IBM and Exxon.

Behind Mr Davignon's intervention lies a fear among Euro-

Comment

pean industrialists about political drift inside the EC and the risks of a social explosion caused by low growth, rising unemployment and a crisis of business con-

"You see it in our companies," he said. "If you want \$300m for lay-offs and restructuring, you get approval in 15 seconds. But if you go out and buy something, your share price goes down."

According to Mr Davignon,

Europe's leaders, as well as the European Commission, have failed to respond properly to two historic shocks: German unification and the collapse of the Soviet empire. Instead, they have applied a philosophy of "business

He added: "It is a conspiracy of silence, but it is not deliberate. It Since his days as industry comsioner in Brussels. When he helped to restructure the Euro-

pean steel industry, Mr Davignon has been an activist par excel-He argued that EC leaders' tral bank.

munism was flawed and "totally lacking in imagination". By treating the former communist countries as market economies, the EC was allowing cheap imports to destroy jobs in the west.

anti-dumping duties were merely destroying jobs in the east and deterring foreign investment, he said. His tentative proposal was to negotiate quotas with fixed prices, so as not to disrupt western markets.

The EC's approval of aid to make nuclear reactors safe was dismally slow, Mr Davignon said. "One more Chernobyl and you can forget the nuclear industry in western Europe."

On Europe's exchange rate mechanism, Mr Davignon argues that the two official inquiries into last September's ERM crisis by the EC's monetary committee and the EC committee of central hank governors were a white-

Mr Davignon is pressing the Commission to launch a campaign to argue the merits of a single European currency in terms of medium-term economic stability and the need to preserve the single European market.

Senior EC officials agree with Mr Davignon that political leaders need a new initiative to restore credibility to the Emi enterprise. A short-term step would be to agree on the site of the European Monetary Institute, the precursor of a European cen-



A Bosnian Serb armoured car passes a destroyed mosque in a village near Gorazde, eastern Rosnia. Fighting continued in the area after radio appeals for intervention to save Gorazde from the Serbs

Bosnia leaders meet

International mediators for former Yugoslavia today meet leaders of Bosnia's warring factions in Geneva in the increasingly desperate search for political solutions to end the violence. Lord Owen, for the European Community, and Mr Thorvald Stoltenberg, for the United Nations, said yesterday they expected the meetings to pave the way for a reconvened inter-

national conference on the for-

mer Yugoslavia which would

assemble the participants in last August's London conference.

President Siobodan Milosevic of Serbia, Croatian President Franjo Tudjman, President Momir Bulatovic of Montenegro and Mr Alija Izetbegovic, the Bosnian president, will meet together with the mediators.

Lord Owen said yesterday it was clear there would have to be "adjustments" to the Vance-Owen peace plan. An overall halt to hostilities depends on an overall political bargain, he said.

Fresh effort to restart talks,

S Africa talks in chaos as Inkatha walks out

SOUTH AFRICA'S constitutional negotiations were thrown into crisis last night after the mainly Zulu Inkatha Freedom party and its allies walked out of the talks. The rightwing Conservative

party and the governments of several conservative black homelands also walked out, leaving only the South African govern ment and the African National Congress plus their allies, participating in the talks. Delegates said they would consult their principals over whether to withdraw permanently from the 26party constitutional negotiating

ANC and government officials made clear that talks would proreed without the dissident group, which calls itself the Concerned South Africans Group, but the legitimacy of a constitution writ-ten only by the ANC and govern-

ment would be jeopardised.

Mr Cyril Ramaphosa, the ANC's chief delegate, accused the group of blackmail. "We regret the move to walk out of the nego tiating chamber...they embarked on a very disruptive and unconstructive way of han-dling matters," he told a news conference '

The move appeared to be an attempt by Chief Mangosuthu Buthelezi, the lukatha leader, to test his strength within the nego tiations, as well as to determine whether the government would back him or the ANC in a dispute. The government made clear it would risk isolating Chief Buthelezi and his allies rathe than impede progress in negotia-

Inkatha, which has significant support in Natal province, where a quarter of the population lives, could seriously disrupt any elections held under a new constitu-

ANC and government officials blamed Inkatha for deliberately stalling progress in the talks and seeking to prevent confirmation of April 27 1994 as the date for the first multiracial elections. They said efforts would be made

Continued on Page 14

HJ Heinz cuts jobs worldwide investigators in move to reduce costs

By Nikki Tait in New York

HJ HEINZ, the US food group, vesterday announced a range of cost-cutting moves, involving an 8 per cent reduction in its worldwide workforce of 35,500 and a cut in its UK operations.

The company will take a \$192m pre-tax charge against fourthquarter earnings, to pay for the

Heinz's chairman, Mr Tony O'Reilly, claimed the latest restructuring charge would help Heinz speed up productivity improvements, and concentrate a three-year rationalisation programme into 12 months. Analysts, however, saw the action as further evidence of the pressures which the intensely competitive retail sector is putting on the big consumer product companies.

"All the food companies are responding to the pressure by accelerating this sort of restructuring," commented Mr Les Pugh at Salomon Brothers in New York, noting that the anticipated operational efficiencies were not expected to bring much additional earnings growth.

Specific changes include: shifts in manufacturing capacity between Canada and the US; a reduction in operations in the United Kingdom, Italy, and in the Ore-Ida division; a cut of about 30 per cent, or 240 jobs, at a plant south of Melbourne, Australia; the consolidation of all the North American sales service functions in one Pittsburgh-based operation; and a merging of the US

Continued on Page 14

Conflicts emerge between Italian

ITALIAN MAGISTRATES investigating corruption yester-day held a hastily convened sum-mit in Rome to head off a squabble over conflicting responsibilities for inquiries.

The main conflicts have emerged between Milan and Rome magistrates, but magistrates from Bologna, Naples and Venice also attended the meet-ing. A later statement referred to "frank and loyal" discussions,

hinting at some tough talking. The magistrates were reported to be unable to reach agreement on responsibility for the three most important investigations in dispute. These cover dealings behind the parcelling out of tele-vision channels between the state and the private sector, telecommunications contracts and the operations of the Ministry of Posts. An appeal court will prob-ably have to establish investiga-

ting responsibility. There was only partial agreement on the probe into construc-tion of the Rome metro.

Unless resolved quickly the disputes threaten to undermine the investigations as well as infringe the rights of those accused. "These meetings are necessary

even if it would have been better

to have held them earlier," said Mr Giorgio Castellucci, the Rome attorney-general. As the 16-month-old investigation into corruption and illicit financing of political parties evolves, the cases are becoming increasingly intertwined. Normally magistrates establish com-

petence over a case if they initi-

graphic area. But the same names are cropping up in differ-ent places as the inquiries spread

through Italy.

This has led to people being interrogated by different sets of magistrates or, in the case of Mr Giuseppe Ciarrapico, the Rome financier, of being released from custody in Rome to be summoned

Bank of Naples chief under investigationPage 2

to Milan the next day.

Milan magistrates - a more homogeneous group with better technological back-up and less subject to political pressure have set the pace from the start. Matters came to a head on

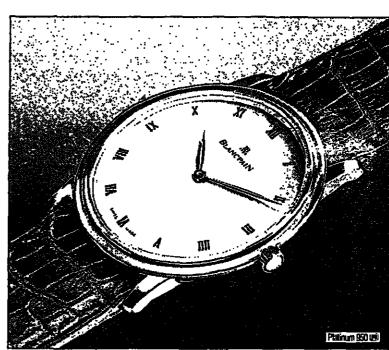
Monday when Rome magistrates advised three senior politicians including Mr Giorgio La Malfa, the former Republican leader that they were under investigation for alleged corruption relat-ing to telecommunications contracts and the award of television frequencies. Mr La Maifa claimed he had already received similar notice from Milan.

Rome magistrates also appeared to ignore a deal cut in April between the management of Fiat and Milan magistrates.

Mr Ugo Montevecchi, former chief executive of Fiat Engineering, had already voluntarily appeared before Milan magis-trates and been questioned for 10 hours. In spite of this Rome magistrates ordered his arrest on Monday for the alleged payment of bribes relating to culture ministry contracts.

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INSIDE

Analysts angry at Fondiaria rights issue

insurance analysts have disapproved of Monday night's announcement of a L1,058bn (\$724.16m) rights Issue by Fondiaria, Italy's third biggest private-sector insurer. The insurer reported 1992 group losses of L578bn. Page 16

Sharper focus at FKI

FKI, the electrical engineering group, which has seen its shares values almost triple in the last 18 months, yesterday confirmed it was making prog-ress in improving profitability and restructuring the business. Pre-tax profits increased from 220.68m to 238.05m (\$58.2m) in the year to March 31 in spite of 25.4m of reorganisation costs. Page 22

Reinsurers await bull run



The last time reinsurance rates rose significantly, the share prices of Munich Re and Swiss Re, the world's first and second biggest reinsurance companies, doubled relative to their local stockmarkets and tripled in absolute terms. With the reinsurance market in a similar state today. reinsurers could be embarked on a similar bull run. Back Page

Italian borrowing back on track Italy could be poised to issue one of the world's biggest global dollar bonds as borrowing gets back on track after political upsets and debt downgradings earlier this year. Page 20

Nissan still feels the pain



Nissan caused a stir as the first Japanese carmaker since the second world war to announce a plant closure but the pain is not yet over. Mr Yoshifumi Tsuji, Nissan's president, said the restructuring plan did not take account of the blow to export earnings of the yen's steep rise, and Nissan's options now include price rises and another round of cost cutting. Page 18

Flotation for Dairy Crest

Dairy Crest, the milk and dairy products arm of the UK's Milk Marketing Board, has confirmed its plan to float early next year. Dairy farmers could hold around 70 per cent of the share capital. Page 21

Cap on gold price rises

A widening range of derivative products brought an estimated 86 tonnes of gold on to the market last year. Ms Jessica Jacks, an economist with RTZ, said that while this was not a huge amount, it was enough to cap any price raffies, especially in the

Market Statistics

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COMPANIES & MARKETS

Kodak to spin off its chemicals arm

By Martin Dickson in New York

EASTMAN Kodak, the US photographics products company, yes-terday announced plans to spin off its Eastman chemicals business by the end of 1993 as a separate, publicly-quoted company

with \$4bn in annual sales.
The move follows shareholder essure for Kodak to improve its lacklustre financial performance, and comes a month after Mr Kay Whitmore, chairman, said the group would make a large asset divestiture this year.

He said yesterday that the spin-off was one element of a new

plan for Kodak which the company would unveil fully in September.

The spin-off will involve a prorata distribution to Kodak shareholders of stock in the indepen-dent business, which will be called Eastman Chemical Company and will seek a listing on the New York Stock Exchange. Kodak will retain no equity. Eastman, founded in 1920 to

supply chemicals to Kodak's photographic operations, has grown into the 10th largest US chemicals company, ranked by revenues, with sales to Kodak less than 8 per cent of the total.

and speciality products and has particularly strong positions in PET plastic bottle resins and fil-ters for the tobacco industry. Earnings from operations last year totalled \$494m

Wall Street analysts have long urged Kodak to dispose of Eastman, which accounts for approximately 20 per cent of group revenues, to allow Kodak to concentrate on its core photographic operations and other consumer-oriented business

Mr Whitmore said the spin-off would create two stronger companies, with the management of

Kodak shares, which rose on Monday in anticipation of yester-day's announcement, dipped \$\%\$ to \$53\% at lunchtime in New

York. Spin-offs have become particularly popular over the past two years among restructuring US

Mr Whitmore said Kodak had chosen the method rather than a sale to an industrial buyer in a down phase and this would allow Eastman shareholders to participate in any upturn.

debt from Kodak's balance sheet. but Mr Whitmore said this would not change the group's debt-tocapital ratio. Moody's, the credit rating agency, said it had placed Kodak's \$7bn of long-term debt under review for a possible

Mr Whitmore said that the company was still reviewing in its other, non-photographic businesses for possible operational changes, spin-offs, sales and clo-

It would say more about its strategy and growth prospects in

News Corp pays HK\$1.85bn for 22 per cent of Hong Kong television company

Murdoch enters Asian broadcasting

By Simon Holberton in Hong Kong

MR RUPERT Murdoch yesterday signalled his intention to become a force in Asian broadcasting with the announcement that his News Corporation is to pay HK\$1.85bn (£156m) for a 22 per cent interest in Television Broadcasts (TVB), one of Hong Kong's two domestic television companies and a leading producer of Chinese language movies.

News Corporation will acquire 11 per cent of TVB from each of the company's two controlling shareholders - Sir Run Run Shaw and Malaysian tycoon Mr Robert Kuok.

On completion of the deal, which needs Hong Kong government approval, Sir Run Run will have 23 per cent of TVB and Mr Kuok 21 per cent.

Mr Murdoch said the three-way partnership in TVB "will create the premier Asian company engaged in terrestrial and satellite television broadcasting". Sir Run Run said the addition of News Corp's expertise in international programming and satellite broadcasting to TVB's record of success in Chinese language pro-gramming "paves the way for the

Mr Murdoch, who sealed the



Rupert Murdoch said the partnership 'will create the premier Asian company engaged in terrestrial and satellite television broadcasting

deal on a visit to Hong Kong last sion already sells US movies on print media interest in the week, has made no secret of his the Chinese mainland and earlier region. Through the South China

wish to participate in Asia's this year Mr Murdoch visited Bei- Morning Post he has acquired a tainment Sports Programming growing broadcasting industry, jing for talks with Chinese lead- Chinese language newspaper in especially in China. Fox Televi- ers. He has also expanded his

Hong Kong and a 15 per cent interest in the Bangkok Post, Thailand's leading English language daily. Underlining his ambition to publish on the Chinese mainland, he has also reg-

istered the masthead "North China Morning Post". Over the past year Mr Murdoch has had talks with Mr Li Kashing's Star Television about equity participation in the satellite network, but they proved

TVB recently entered into an agreement with Turner Broad-

fruitless.

ing Corp and Discovery Channel to lease satellite space on Palana, an Indonesian-owned satellite. TVB will supply Chinese lan-

guage programming for one channel. Unlike Star, which broadcasts five "free-to-air" satellite channels, the TVB consortium will transmit encoded aregramming for subscribers only. Analysts viewed Mr Murdoch's

purchase of 22 per cent of TVB as only the beginning. Mr Murdoch is seen as the likely buyer of Sir Run Run's shareholding should he decide to reduce his holding casting, Home Box Office, Enter-

Rothschild Bank sees rise in provisions

By Ian Rodger in Zurich

ROTHSCHILD Bank, troubled Zurich affiliate of NM Rothschild of London, has made provisions of SFr270.9m (\$187m) against bad loans in the past two years, substantially more than previously estimated.

Mr Guy Wais, general manager, said yesterday that an investigation by Coopers & Lybrand, the accountants, following the discovery of lending irregularities early last year led to the increase in provisions from the previously stated figure of about SFr220m.

Most of the lending was to the collapsed York Hannover and Castor property groups, and it infringed Swiss law restricting the amount a bank can lend to a

The bank has maintained that the lending was arranged by its former credit manager, Mr Jürg Heer, and that he concealed the details from other bank directors. It has accused Mr Heer, who has admitted receiving commissions of some SFr30m on the lending, of fraud and other offenses. Mr Heer has since fled Switzerland and an international warrant has been issued for his

The Swiss Federal Banking Commission and the Swiss Bankers Association are investigating the apparent failures of the bank's internal and external control systems. But Mr Wais said yesterday that financially "Heer's file" was now closed.

The bank's 1992-93 annual report reveals changes in its financial structure. Total assets halved from SFr1.34bn at March 31, 1992 to only SFr622.4m a year later. Mr Wais said this reflected a deliberate running down of its lending book in addi-

tion to the write-offs.

Shareholder's equity has risen from SFr198.7m to SFr206.1m, reflecting an injection by a Rothschild family company of SFr120.5m in new capital. This was achieved by its purchase of a part of the bad loans at face value. The injection also made it possible for the bank to show a net income last year of SFr12.8m compared with SFr24.5m the previous year. The annual dividend was cut from SFr10m to SFr5.5m.

Sir Evelyn de Rothschild, chairman, said operating profits, which were down only SFr2.5m to SFr57.1m, were "good" and the bank's balance sheet was "extremely sound". Swiss scandal, Page 16

Saudi Arabia to merge its two main oil companies

By Mark Nicholson in Cairo and Deborah Hargreaves in London

SAUDI ARABIA is to merge its two main oil companies creating the largest integrated oil concern in the world, the kingdom said late on Monday. Samarec, the kingdom's refining and marketing arm, will be merged into oil production company, Saudi

"It will give the company more energy to look at expanding outside Saudi Arabia and compete head-on with the oil majors. Its potential power as a joint com-pany is profound," said Mr Robin West, who runs Petroleum Finance Company, an energy consulting group in Washington. Saudi Arabia is looking to expand its downstream outlets for oil through deals in Europe and Asia as well as continuing to expand its production capacity beyond 10m barrels a day. The company's drive to become involved in the industry worldwide will put it into direct competition with multinational oil companies such as Royal Dutch/

Shell and Exxon. Aramco is already the world's largest exporter with current output of 8m b/d and current production capacity of 9m b/d. The company is also custodian of the kingdom's 295bn barrels of proven oil reserves.

Samarec will bring to the merger 1.23m b/d refining capacity from three wholly-owned and three joint venture refineries in Saudi Arabia. This will take the ioint company into all stages of the oil industry: production, refining, transport and market-

Saudi officials said the merger came at the request of Mr His-ham Nazer, the oil minister, who has been looking to streamline the nation's oil industry for some time. Mr Nazer set up Samarec in 1988 to rationalise management of the country's previously autonomous refineries.

No details have been given of any possible management restructuring in Aramco, nor of the fate of Samarec's present managers. The decision came as a surprise to all but the most senior managers in both compa-nies, according to some senior

Before the move Samarec (Saudi Arabian marketing and refining company) ran the country's three domestic refineries at Jeddah, Riyadh and Yanbu and was the Saudi partner in joint venture export refineries with Mobil at Yanbu and Shell at

These interests, along with Samarec's share of an additional joint venture refinery at Rabigh, part owned by Mr John Latsis, the Greek investor, will move under the umbrella of Aramco. Saudi Aramco already runs the Ras Tanura refinery - the world's biggest with capacity of 520,000 b/d until a fire in 1990 cut

output to around 290,000 b/d. But while Samarec managed Saudi Arabia's main domestic and export refineries. Aramco has over the past two years been increasingly developing its own downstream interests overseas through joint venture refining deals with Texaco in the US, Ssangyong Oil Refining Company in South Korean group and Nip-pon Oil, with which Aramco has signed a preliminary agreement to refine oil in Japan.

The newly augmented Saudi Aramco will continue a \$10bn-\$15bn expansion plan, accelerated since the end of the Gulf war in 1991, which is set to raise Saudi oil production capacity to a sustainable 10m b/d by next year from present levels of around 9m b/d. Samarec was also proceeding with an \$8bn programme to upgrade and expand all its domestic and joint venture refineries, with the exception of

MEPC in £221.9m rights issue

By Vanessa Houlder, Property Correspondent

MRPC, the UK's second largest property company, yesterday announced a £221.9m (\$341m) rights issue, bringing the total raised by property companies in the equity market this year to more than £1bn.

The announcement, two weeks after MEPC's interim results, is likely to complete the recent round of fund raising by the UK's largest property companies. MEPC is taking advantage of a

sharp increase in its share price, which will allow it to issue new shares without greatly diluting its assets. The shares rose from 190p last September to close yesterday at 414p, down 8p on the

The proceeds of the one-forfive rights issue, which is priced

at 350p per share, will be partly used to refurbish and redevelop property within its portfolio. MEPC said the issue would also allow it to make selective property or corporate acquisitions as opportunities arose. The money will initially be put

on deposit, which will reduce MEPC's gearing from about 80 per cent to 60 per cent. The rights issue was criticised by some City analysts yesterday

for reducing the company's gearing at a time when property values were starting to improve. But Mr James Tuckey, managing director, denied that the rights issue was a degearing exercise. The group's programme of disposals, partly designed to reduce borrowings, would proceed at a slower pace. MEPC has sold

£159m of property since the end

of the last financial year.

Mr Tuckey said the decision to make the rights issues was taken after the Board became convinced market prospects were improving. The company said there was

"evidence beginning to emerge in certain areas of the UK of new demand from occupiers. This, coupled with evidence of institutions returning to invest in property, provides the potential for a return to growth."

The Co-operative Insurance Society, which owns 16.7 per cent of the company, is taking up its full entitlement, as are MRPC's directors. The balance has been underwritten by Morgan Grenfell.

The company predicted the dividend would be maintained at 14.75p (net) for the year to end-Lex, Page 14



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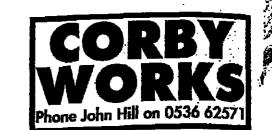
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FINANCIAL TIMES

Wednesday June 16 1993



UK Chancellor stresses growth and low inflation | LDP men

Clarke backs commerce and standards of living

By Peter Norman, Economics Editor

MR KENNETH CLARKE put his stamp on UK economic policy last night by identifying himself with commerce and saying he wanted to be remembered "as a chancellor under whom the British businessman and woman and their workforce were able to earn a better living".

In an anxiously awaited speech to the City of London, the new chancellor of the exchequer made no changes of substance to eco-

But, setting a new tone, he emphasised that his goal was to raise living standards, and he stressed the importance of

growth as well as low inflation.

Observing that "we cannot rely on recovery alone to bring borrowing back towards balance", he made clear that he would take a tough line on public spending and would not shrink from further measures to reduce Britain's £50bn (\$77bn) annual budget defi-

cit. He recalled that the govern-

ment had already taken steps to reduce the deficit by controlling spending and increasing tax revenue. "But if I judge that further action is necessary, I shall not hesitate to take it," he added. Speaking after news of a fur-

Manufacturing growth fastest since May 1989..... Editoriai CommentPage 13

ther strengthening of manufacturing output and steady growth in retail sales, Mr Clarke gave a moderately upbeat assessment of

Britain was more fortunate than many of its European Com-munity neighbours, he said. While signs of recovery were "mixed and in some cases muted", he said "the momentum for growth is clearly there".

Mr Clarke set three objectives for economic policy that could have been taken from any recent speech of his predecessor, Mr Norman Lamont. He promised: To keep inflation in its target bringing it within the lower half of the range by the end of the

 To restore the public finances to better health and towards balance "over the medium term". • To sustain the recovery and ensure that it lasts.

Those aims were given a spe-cial spin that reflected his life "in the industrial Midlands", where, he said, "I have acquired a deep and abiding respect for all those engaged in the difficult business

"It is commerce alone which generates the prosperity which enables government to raise the living standards and hopes of all the British people," he said. "That is the key principle which will guide my hand as chancel-

In giving a broad outline of pol-icy, Mr Clarke referred to himself as a "pro-European", but made clear that "it would be quite some time" before it would be right for the UK to return to the European exchange rate mecha-

for political reform.

After pushing, shoving, head-locks and half-nelsons, the LDP

The argument is over whether the current multi-seat constituencles, which are prone to manipulation by party factions, should be replaced by a single-seat system, by proportional representation, or by a cocktail of the two. Tougher controls are also pro-

Mr Miyazawa, who has delegated all responsibility in the issue, is now confronted by the

But the previously favoured tactic of putting reform on permanent hold may not work, as the Social Democratic party of Japan, the largest opposition party, has promised to launch a no-confidence motion against the

Mr Miyazawa has said he will call an election if the LDP loses the vote, and the SDPJ said yesterday: "We are not afraid of an election." Suddenly the prime minister, who hoped to have his prestige untarnished by remain. ing above the fray, may have to

Bankruptcy rate falls, Page 4

HJ Heinz to reduce costs and cut jobs

Continued from Page 1

administrative back-up for Heinz Pet Products and Starkist, the tuna business.

The charge meant that operating profits in the final three months of Heinz's financial year to April 28, fell to \$54.8m, compared with \$230.5m a year ago, on sales of \$2.03bn (up from \$1.87bn). For the full year, operating profits were down from \$1.11bn to \$860.9m, with sales rising from \$6.58bn to \$7.1bn.

The cost-cutting will be spread across Heinz operations worldwide and, although the company declined to put a firm figure on the potential job losses, could prune the workforce by up to 3,000. At the end of its 1992 financial year, Heinz had 35,500 The fourth-quarter operating

profit of \$54.8m translated into an after-tax surplus of \$69.7m. compared with \$145.7m a year ago. For the 12 months, the Heinz net profits stood at \$396.3m, after a \$133.6m charge for the adoption of the new accounting standard on post-retirement benefits. The 1991-2 figure came to a total of

Timex Dundee plant to close by year-end

By James Buxton and Lisa Wood

TIMEX yesterday abandoned its fight to preserve its electronics plant in Dundee, Scotland and announced that it would close by

The decision followed the rejection by local union leaders of the company's offer to reinstate the sacked workforce on lower wages and conditions. It provoked a furious reaction among union leaders and UK opposition politi-

Mr Mohammed Saleh, Timex's US vice-president for human resources, said the plant's financial position had become "Impossible to sustain". He laid the blame squarely on the local unions, saying: "They did everything possible not to help us keep that plant going."

Mr Saleh announced the com-pany's decision after a final twohour meeting with local officials of the AEEU engineers union and two conveners of the sacked workforce in a last attempt to settle the 20-week dispute which began when Timex sacked its 343-At the meeting, the employees

strong workforce after a strike.

negotiated by national AEEU officials under which the sacked workers would be offered their jobs back subject to tests of suitability and the imposition of a 9.8 per cent pay cut, with a reduc-

tion in fringe benefits. Closure of the plant, which was set up in 1946 and now assembles printed circuit boards, marks the failure of long-term efforts by UK Timex to make it profitable. Mr Saleh said Timex had lost £10m

> It also indicates the failure of Timex's attempt to keep the plant going with the substitute workforce hired after it sacked the original employees in February. The 260-strong replacement workforce had to be bussed into the plant past the picket line.

Timex now wants to go to the UK conciliation service Acas to negotiate an orderly rundown and the proposal will be put by unions to a mass meeting on Thursday, But union leaders in Dundee have said they will not

Yesterday Mr John Kydd, district organiser for the AEEU, said: "I am absolutely sure in my own mind Timex engineered the

reiterated their rejection of terms Inkatha walks out of S Africa talks

Continued from Page 1

to persuade Inkatha to return to the talks, but this would depend on the reaction of the irascible and unpredictable Chief Buthe-

Yesterday's dispute centred on the form of a future South African state, whether federal or unitary, as well as whether its constitution should be written by an

terday's talks rejected its resolution calling on the negotiating body to consider making South Africa a federal state. Inkatha delegates said this could provoke Chief Buthelezi to make their withdrawal permanent.

FT WORLD WEATHER

scuffle in Japan's corridors of power

SENIOR members of Japan's ruling Liberal Democratic party, who claim to be wrestling with their consciences over political reform, yesterday grappled physi-cally with each other in an unscheduled bout in Japan's corridors of power.

In one corner were the reformers, frustrated by the LDP's reluctance to change a scandal-prone political system, and in the other were officials who have prospered from the present sys-tem and fear that change would threaten their political privileges.

The two sides confronted each other outside the party room in the Japanese parliament (Diet), and within range of the television cameras, giving Japanese viewers a ringside seat and providing them with vivid documen tary evidence of the urgent need

party meeting convened. It decided not to make a decision on political reform, passing the responsibility to Mr Kiichi Miya-zawa, the prime minister, and four other party elders.

posed for political funding.

need to make a clear statement either deferring reform or extending the present parliamentary session. His colleague, Mr Seiroku Kajiyama, the LDP's secretary-general and head-counter, has suggested that the debate be delayed for at least two years.

government before the parlia-

mentary session ends on Sunday. Under normal circumstances, the LDP would easily have the numbers to defeat such a motion. But a pro-reform LDP faction headed by Mr Tsutomu Hata, the former finance minister, claimed to have enough support yesterday to tip the balance against Mr Miyazawa by abstaining from the

elected constituent assembly. Inkatha was enraged when yes-

Europe today

central Europe with sunshine over all of Spain and Italy. The temperatures will rise to 25C-28C, but the north coast of Spain, some clouds and a cool sea breeze will keep the temperatures around 23C. Over the British Isles and the low countries, a low pressure front will cause cloudiness and outbreaks of rain. The maximum temperature will slowly rise towards 16C-20C. France will see sunny spells but later in the northwest, it will turn cloudy with patchy drizzle. At the French Cote d'Azur, it will be suriny and quite warm. Turkey, Greece, Romania and the Ukraine will see afternoon thurider showers.

High pressure will influence southern and

Five-day forecast

Thursday, the atomsphere will become more settled over western Europe. In the British Isles and the low countries, it will be dry with sunny periods. In southern Scandinavia, low pressure will cause outbreaks of rain. In Spain and Italy, it will remain sunny, but on Friday, in northern Spain, afternoon showers will develop. In Ireland, it will become rainy Friday. and this showery rain will slowly spread east on Saturday. In Spain, France and the low countries, much warmer air will arrive by the

Dublin



Fano Frankfurt Geneva Glasgow Hamburg Helsinki Hong Kong Honoluku Isie of Man Istanbui Jersey Kersechi Kinwalt 31 12 40 27 24 25 23 18 25 14 30 25 24 28 22 25 22 17 29 12 20 24 20 17 29 30 33 31 Marichester Marila Melbourne Medco City Miami Millen Montresi Moscow Murich Naprobi Naples Nassau New York Nice Nicosia Osio Paris Perti Prague R' de Janek R' de Janek sun sun sun sun sun der cloudy sun tair cloudy sun tair tair tair thund drizzle cloudy sun tair fair fair Las Pak London Los Ange

THE LEX COLUMN

Clarke's full agenda

The City knew before last night that Mr Kenneth Clarke is a man of considerable political skill. That skill was again in evidence in his Mansion House speech, with its rallying call to business and its emphasis on growth as well as fiscal and monetary rectitude. What remains unclear is whether Mr Clarke also has the special qualities required of a chancellor. The speech was short on detail and left policy options open. It left his audience guessing about the true importance attached to the exchange rate as an indicator. Mr Clarke was tantalisingly vague about the extent to which further fiscal tightening will be

To be fair, he was unlikely to box himself so soon. The new chancellor may also want to avoid undermining confidence in the recovery by parad ing his hair shirt, if he was wearing one underneath the white-tie and tails. But at some stage he will have to face the fact that, without a further attack on the PSBR in this autumn's budget, the twin objective of growth with low

inflation could well be lost. For the time being, the City will have to take it on trust that action will be taken. Thus far, the government's funding programme has pro-ceeded relatively smoothly, but only because real yields are high and gilts are trading at an attractive 130 basis point premium to German bunds. At least Mr Clarke showed he is aware of the cost of borrowing at 8 per cent when inflation is well below two. If the government really means to keep price rises that low, it is getting a very bad deal indeed.

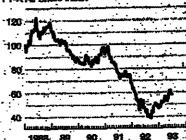
MEPC

Another week, another rights issue from a property company. MEPC is the last of the big seven to take advantage of the sector's recent surge to raise fresh funds. Its £222m cash call brings the total raised in the sector to more than £1bn this year. But although MEPC has asked for the most money, it arguably has the weak-est story to tell and may also suffer from being last in the queue. It is difficult to escape the conclusion that it is raising too much, too late.

About half the cash will be used sprucing up MEPC's existing portfolio, which was beginning to fray at the edges. The rest has been loosely earmarked for property or corporate acquisitions. That is faintly unnerving, given the company's proclivity for rearing white elephants in the 1980s. FT-SE Index: 2870.0 (-15.5)

MEPC

Source: FT. Graphile



Shareholders must hope it has learned

from the recession. The broader worry is that MEPC's attractions may pall as investors become more discriminating after the first flush of property spring. The company boasts neither the cast-iron balance sheet of a Land Securities, nor the entrepreneurial spirit of a British Land, nor even the international spread of a Hammerson. MEPC may have crudely calculated that its greatest appeal lay in its fat dividend yield. But securing the resources to pay a dividend is the worst reason of all for launching a rights issue.

Manweb

Manweb has done much that a good utility management should. It cut costs in the first two years after privatisation and looked overseas for examples of best practice. Its investment in a flexible database of customers will allow selling of other services. It has avoided allowing the Trojan horse of other electricity companies' retailing operations into its patch via joint ventures. It has also stuck to its knitting and will only expand gradually through natural extentions to its business. Indeed, it is no small irony that those utility managements best able to cope with the difficulties of diversification are those which have had the sense to avoid it.

Yet the company cannot hide its embarrassment of riches. Cash flow is strong, gearing is down to 6 per cent, dividend cover is 3.3 times and Manweb is not even using the full elbow room allowed by its price cap. Admittedly the company was blessed with a generous price cap on the mistaken

hit the north hardest. But the regional electricity companies are over-capitalised, and progressive dividend policies will hardly make a dent in balance sheets. There may be brownie points for companies prepared to risk the wrath of the regulator and return the excess equity to shareholders. Other wise customers, the government, or owners of acquired firms will walk off

yigerian po

Ciba

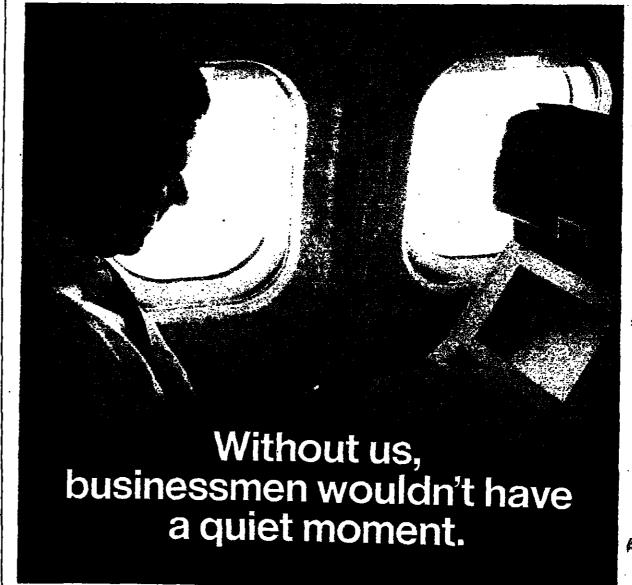
Anyone hoping for the disclosure of big hidden reserves to arise from Ciba's transition to international accounting standards will be disappointed by yesterday's figures. Since earnings per share work out 18 per cent higher under the new rules, though, there is little cause for com

The switch from current cost to historical cost valuations alone adds SFr350m to profits, due to lower depreciation. That is at the expense of lower fixed asset values, but the balance sheet has not been shrunk substan tially by the exercise. Investors valu-ing Ciba on the basis of assets per share will find little to alter their opinion. Those who prefer to look at earnings will be encouraged by the change

Wessex Water

Wessex has a habit of increasing its dividend faster than its rivals. While its unregulated waste business is turning in decent profits - in contrast to others in the sector - such generosity will not worry the regulator. If landfill prices continue to harden, the joint venture with Waste Management International might yet deliver an operating margin of 20 per cent on turnover of £100m this year. Since Wessex is one of the minnows of the sector, that alone would be useful protection against the threat of tougher egulation to come.

It is less clear that Wessex's water business is especially well placed going into next year's regulatory review. Holding operating costs steady for the second year, with the promise of the same this year, looks impressive. But all water companies face a trade-off between operating costs and capital spending. Without more information, the extent of genuine efficiencies is difficult to judge. Ofwat will doubtless want to sort the wheat from the chaff before setting price limits for the second half of the decade.



Using Active Sound Control, a remarkable new technology, Dowty Aerospace can now ensure even more restful flights for passengers in the world's 10,000 turbo-propeller aircraft.

Saab Aircraft AB are first to take advantage of Dowty's breakthrough. They have ordered a Dowty system which eliminates intrusive low-frequency tones from the propellers on their latest Saab 340 regional passenger aircraft. Microphones transmit cabin noise levels to computers which calculate how much anti-noise to broadcast from concealed loudspeakers.

The result is a soothing 50% reduction in overall cabin noise. Dowty is one of TI Group's three specialised engineering businesses, the others being John Crane and Bundy. Each one is a technological and market leader in its field. Together, their specialist skills enable TI Group to get the critical answers right for its customers. Worldwide.



FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Wednesday June 16 1993

Banking on Mr Clarke

THE LORD MAYOR'S guests were treated to two very different, but equally important, speeches at last night's Bankers' and Merchants' dinner at the City's Guildhall. Top of the bill was Mr Kenneth Clarke, promising much but revealing little on his first public outing as chancellor of the exchequer. But it was the valedictory address of Mr Robin Leigh-Pemberton, reflecting on the lessons of his 10 years as governor of the Bank of England, which will have unsettled the stomachs of the City

Mr Clarke's performance, the first "Mansion House" speech to be accompanied by June strawber ries rather than October apple pie, was that of the consummate politician rather than the economist or financier. He pleased his immediate audience by stressing the importance his government attaches to maintaining low inflation and returning the public finances to order. But Mr Clarke also played to the wider gallery, emphasising his Midlands roots, his knowledge of industry and commerce while placing a new emphasis upon economic growth and higher living standards.

No changes

bank

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11 13 150 65

But Mr Clarke mixes political cunning with his populism. His speech contained no hostages to fortune. Indeed, it contained almost nothing of substance to exercise the minds and computers of listening City analysts.

On monetary policy, the chancellor announced no changes to the framework his predecessor announced last autumn. He confirmed the government's target range for underlying inflation of 1-4 per cent and intends to monitor a broad range of indicators. But how does businesses' desire for a competitive and stable exchange rate fit into this picture? No target on display.

On fiscal policy, the chancellor aims to "restore the public finances to better health and back towards balance over the medium term". Growth alone, he said, would not do the trick. But does this require more discretionary measures announced in the Budget? And will this mean further tax increases or spending cuts? No

As for the mix of monetary and fiscal policy that the chancellor thinks can deliver sustainable growth without running into trade difficulties, the subject was not addressed. Is the exchange rate sufficiently competitive? If inflation starts to pick up, will the chancellor allow the exchange rate to rise or instead tighten fiscal policy to choke off demand? How can the British economy, dogged by the twin Budget and trade deficits, possibly deliver sustainable growth and higher real wages for those in work? No discussion provided.

Inflation trap

Yet it was Mr Leigh-Pemberton who sent chills down his audience's collective spine. "We now have low inflation combined with economic recovery, and this offers the prospect of sustained improvement for the first time in many years," he said, quoting from his own first Mansion House speech delivered in October 1983. "The sad fact that I could use exactly the same words today reflects the principal failure of policy in the intervening period - that we did not keep inflation under control."

The Bank, the governor said has learnt from this failure. "The new policy framework which was put in place after our departure from the ERM is one which will not only, I believe, prove successful and workable in the UK, but is also being applied in other countries." But with one exception: the Bank of England, in contrast with its European partners, remains the servant of the executive rather than of parliament. Nor is the Bank's status likely to change, despite Mr Leigh-Pemberton's advice. The chancellor has made it plain that independence for the bank is not on his own agenda, although his speech suggested he is content to let others go on

debating the matter. Yet it is the repeated willingness of successive British governments, making promises just like Mr Clarke's, which have won elections by delivering higher living standards to those in work today at the expense of higher inflation cause of Britain's repeated boombust cycles. Mr Clarke's most important task is to show that he knows how to avoid this trap.

Let the eastern exports roll

A TIME of recession and high unemployment is an unpropitious one to seek to persuade EC governments to liberalise trade with their neighbours to the east of the Community. If, however, the EC's proclamations about helping central and eastern Europe are to be anything more than lip service, a rapid relaxation of trade restrictions is essential.

To countries now released from communism's grip, the Community needs to extend the stability and prosperity that it has so successfully nurtured in the west of the continent. Fulfilling this task is in the EC's eminent self-interest. Yet unless the Community provides adequate access for exports from the east, the region's passage into the world of capitalism will be unnecessarily arduous. At the least, setbacks in eastern

Europe would deprive EC companies of growth in markets which otherwise can be expected to show lucrative expansion during the next decade. At the worst, should the transition in eastern Europe seriously falter, this could extend far more widely the disruption and chaos already seen in the former territories of the Soviet Union and Yugoslavia

EC Commission proposals on trade with eastern Europe will be near the top of the agenda at next week's Copenhagen summit. Foreign ministers have already agreed the main points of a plan to accelerate dismantling of barriers for imports of industrial goods, although France and Portugal have succeeded in diluting some parts of the deal.

Starting point

If they are wise, EC leaders will take the proposals simply as a starting point. The Commission's package retains strong elements of protectionism for goods like steel, textiles and food - precisely the sectors where eastern Europe is most competitive. The common agricultural policy is a substantial hindrance to free trade in farm products. But the EC must pledge to eliminate the remaining hurdles at the earliest possible date. This would match eastern European countries' separate commitment to reshape their economic structures as part of preparations for eventual EC membership.

As the region takes painful against this possibility.

adjustment measures, it needs to be offered a just reward. The EC's provisions for anti-dumping measures against steel imports, for instance, will be unnecessary as the region, as planned, improves transparency of pricing by bring-ing in EC-style competition law.

Increased sales from eastern Europe in sectors suffering from over-capacity like steel, textiles and fertilisers can accentuate strains on EC enterprises and their workforces. It can also damage EC companies' positions on third markets. But making eastern Europe the scapegoat for general structural and cyclical problems in individual industries is hardly

Tiny proportion

Imports from the east make up a tiny proportion of the EC's trade. Last year, the EC's combined total of purchases from Bulgaria, the Czech and Slovak republics, Hungary, Poland and Romania made up only 1.6 per cent per cent of EC countries' overall import bill. The EC imported more from both Austria (1.9 per cent) and Sweden (2.1 per cent).

Since 1988, eastern Europe's gross domestic product has fallen by roughly 20 per cent. Even with the effects of the recession, the EC's GDP this year. by contrast. will be around 8 per cent higher than five years ago. Since the fall of the Berlin Wall, eastern coun-tries have expanded exports to the west to compensate for a collapse in sales to the former Comecon area. Yet in recent years the EC's exports to these countries have risen much faster than its imports. As a result, the EC, which up to 1990 registered a trade deficit with the area, is running a

substantial surplus. Eastern Europe will suffer for many years the legacy of communist mismanagement. It would be folly to super-impose on this the effect of short-sightedness by a Community which can afford to be more generous. Eastern Europe's efforts at recovery will be largely self-generated. But without a strong helping hand, these countries could slip backwards. Letting them export their produce without restraint to the more prosperous western part of the continent is the most effective way of guarding

une in to the latest international debate about what sort of television the world will be watching in the 21st century and you might guess that a repeat

is being broadcast. European Community ministers will today discuss an "action plan" to promote wide-screen television services in Europe. It is the sixth time ministers have debated such a plan since the Commission put for-

ward the idea in April 1992.

The crucial issues in the debate remain unchanged. What steps should the EC take to encourage the next generation of television hardware? And how much should it spend on promoting advanced television for Europe?

The international television

industry now has to choose from a

menu of options including wide-screen television, digital transmission technology and high-definition, cinema-quality pictures. The choice is a complex one because the options are not mutually exclusive. In Europe, the priority in the action plan is to promote a shift towards broadcasting normal definition TV on wider screens. The proposed EC plan would not tie the industry to any particular transmission technology. Britain is blocking agreement on the plan because it believes the proposed funding -

Ecu228m - is still too lavish. Meanwhile, in Japan, HDTV has arrived, using existing analogue technology. But the price of HDTV receiver sets has only just come down through the symbolic Y1m (£6,250) mark, and programming is

down from the original Ecu850m to

both scarce and bland. Greater strides have been made in the US, where three rival consortia agreed three weeks ago to club together and work on a single technical standard for digital HDTV. But there are substantial technical difficulties to be overcome before a working system is in place, and US television stations fear they will not be able to afford the equipment necsary to satisfy the manufacturers' desire for a high-quality system.

If mass-market, cinema-quality television still seems a long way off. manufacturers, broadcasters and governments appear to have learnt from both the mistakes and breakthroughs of the past decade and are working in far greater harmony than the surface turbulence would suggest. Moreover, after seven years spent focusing on the potential of higher-definition technology, they have begun to turn their attention to what consumers actually want from television services - better quality, greater choice, or a combination of the two - and how much they are prepared to pay for

The trigger for the new debate is the arrival of digital technology, and its extension to television transmission. Digital compression techniques enhance quality and allow far more services to be provided on the same channel. Digital for example, permit casters to stagger the start-times of the same film on a movie channel, giving viewers the choice of when to start watching.
Digital HDTV has the further

advantage that it can be broadcast terrestrially, as well as by cable and satellite, like existing TV.

Moreover, the opportunities provided by digital appear to have united old rivals and put paid to Europe's efforts to gain a competitive advantage by setting exclusive HDTV standards - an outcome the European Commission has now

In the US, for example, the Federal Communications Commission, which has to approve an HDTV standard, was originally considering proposals from US, Japanese and European companies. The Japanese analogue proposal was eventually eliminated in February when it became clear that the FCC wanted a digital standard. The "grand alliance" formed last month includes both Philips and Thomson Consumer Electronics, the Dutch and French electronics groups which were supposed to be among the principal beneficiaries of the EC's original HDTV strategy.

Andrew Hill and Andrew Adonis

examine moves towards the next generation of television hardware

Turn on to the bigger picture

| | Germany | France | UK | TOTAL | 2.22 | . [] | | | į. |
|--|--------------------------|----------------------|--------------|-------------|----------|-------|--------------|--------|------------|
| Respondents preferri | ng wide-sc | reen: pren | nium prep | ared to pay | | | \$ \$ | | ľ |
| The same or less than | | | | | | · • | | H | 1 |
| conventional set | 13% | 23% | 24% | 20% | 2 | | 1 | | ŀ |
| +12% premium | 7% | 16% | 3% | 9% | 3 | - - | . 7 1 | | ŀ |
| +13% to +30% premium | 25% | 34% | 46% | 35% | 8 | | 4.1 | | Ŀ |
| ÷31% to +50% premium | 25% | 6% | 21% | 22% | 3 | | 1. | 1.3. | į. |
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| | | | | | į | | | | [: |
| Main reasons for pref | ferring wide | e-screen | | | | 1.1 | 11 | | Ė. |
| Better for watching films (more like a cinema) | 67% | 43% | 56% | 55% | | · . | | | Ď |
| Better picture (quality and size) | 42% | 66% | 53% | 54% | | : ; | | | مقر چرد |
| TV more attractive | 33% | 12% | 4% | 16% | | | | | |
| Potential drawbacks t | to wide-scr | een | | | | · L | ٠. | | 2 |
| Living room too small | 51% | 46% | 17% | 38% | ¥ | | | N. | j |
| TV set too large | 14% | 29% | 49% | 30% | | 1 : | | | • : |
| Distorted picture | 16% | 17% | 5% | 13% | į. | | <u>.</u> | · N. c | |
| Poor quality picture | 19% | 3% | 5% | 9% | | 1: | , '.(| ¥2. Q | |
| Price | 8% | 3% | 5% | 5% | | .42. | | | <u>``</u> |
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Germany France

Meanwhile, the European Commission, EC governments and industry have given new impetus to the co-ordination of digital research and standardisation. A group set up by Germany's posts and telecommunications ministry is aiming to promote the acceptance of a draft digital standard for ordinary. non-HDTV broadcasts by the end of 1993 and for digital satellite and cable transmissions in Europe as

The highly damaging failures of the EC's HDTV legislation in the 1990s are still fresh in the minds of the German organisers. The EC's first efforts to develop an analogue HDTV system were undermined when commercial broadcasters and

Work on digital technology should dovetail with the Community's action plan - if it is ever adopted

satellite operators avoided the EC's compulsory transmission standards by transmitting from satellites not affected by the EC legislation. As a result, equipment manufacturers, which had invested heavily in the EC-backed technology, found there were no services for the sets they had developed.

This time, the digital group is trying to encourage co-operation ween satellite operators, commercial and public broadcasters, manufacturers and national administrations from the outset. In a recent press release the group stressed that it wanted to "address the needs of European viewers and to proceed with a fully market-led approach".

We have to investigate the needs of the user, and learn from the experiences of Mac [the earlier EC HDTV standard]," says Mr Wolf-

gang Becker of the German telecoms ministry. "What do the users want, and what are the broadcasters and [manufacturing] industry going to do about it?"

Among EC companies, there is cautious optimism about the work of the digital group. Mr Yves Feltes of Société Européen des Satellites (SES), one of the pioneers of the standard-quality satellite broadcasts, says SES will be in the vanguard of digital transmission, although it is too early to say whether the co-ordinated approach will work. "At least this time, the major players are talking to each other," he points out.

Consequently, work on digital technology should also dovetail with the EC's action plan - if it is ever adopted. It would fall to the two elements, when it comes up with a formal digital television strategy in the autumn. The aim of EC funding is to stimulate new wide-screen services, thus boosting a consumer electronics market which the Commission believes will eventually be interested in everything that digital HDTV has to

As far as the US challenge is concerned, the involvement of Philips and Thomson in the grand alliance, the efforts of the European digital working group and the development of wide-screen television sets in the EC indicate that efforts on both sides of the Atlantic should complement rather than conflict with one another. Philips, for one, says its experience with the US grand alliance will be of use in developing a European digital strategy through the working group.

A digital HDTV standard devel-

oped by the US grand alliance is unlikely to become the global stan-dard because of technical differences between European, US and Japanese broadcasting infrastructure. But, according to the European Commission and to the EC companies involved in the US effort, there are important elements that will be common to both.

The question is whether consumers in the US. Europe and Japan will want to invest in wide-screen and digital broadcasting - with its promise of greater choice and such innovations as "interactive" video. And, if they do buy the decoders necessary to receive the new channels, will they then be interested, as the European Commission believes they will, in upgrading to a higher-definition, cinema-quality picture sometime in the next cen-

According to a recent consumer survey in the UK, France and Germany by BIS Strategic Decisions, an information technology consul-

The supposition that, without a hand-out, broadcasters will not film and broadcast in wide-screen format

is debatable

tancy, wide-screen TV was pre-ferred to conventional TV by a margin of 56 per cent to 40 per cent. About two-thirds are in favour in France and the UK, with a 60:36

ratio against in Germany. Those tavouring wide-screen gave as their main reason that it was better for watching films. The size of the set and picture quality were

the main reasons against. On price, although three quarters of consumers favouring wide-screen format were willing to pay more for the new sets than for conventional sets, barely one in three - that is a fifth of all consumers - was prepared to pay more than a third

However, says Mr David Mercer, an analyst at BIS: "That still means there are millions of people across Europe prepared to pay more for wide-screen, even before enhanced technology." He believes that, once wide-screen has been launched and marketed as "home cinema", prices will begin to fall and more people will want to

buy it. The retailers see it that way, too. If the EC package goes through, Dixons, the UK retailer, hopes to have "affordable" wide-screen sets in its shops by the autumn of 1994. It expects a 25-inch wide-screen format - the replacement for the 21inch conventional screen most common in the UK today - to retail for about £1,000, coming down to the equivalent of today's £650 within

two or three years.
The TV market is mature and needs new products," says Mr Roger Salmons, Dixons' group planning director. "Wide-screen is the next major product on the horizon. Once consumers have made the step up, and manufacturers have brought the price of wide-screen down, the introduction of HDTV ought to be commercially viable when it becomes available."

anufacturers are equally confident of their ability to cut the cost. "Prices will be quite high for the first generation but, once we have an agreed standard [for wide-screen transmission] and volumes rise, the only cost over and above the current technology should be the size of the larger screen," says Mr Robert van Oostenbrugge, manager of Philips broadcast media division.

That leaves the broadcasters. Most of the EC's Ecu228m, plus an additional amount which the industry or national governments may be obliged to provide under any final agreement, is a sweetener to encourage them to produce programmes in a format compatible with wide-screen.

The supposition that, without a hand-out, the broadcasters will not film and broadcast in wide-screen format is debatable.

Mr Chris Daubney, chief engineer at Channel 4, the independent UK broadcaster, claims that there is "no obvious revenue to be gained from going to wide-screen, but there are certain capital costs - studio equipment and so on - for which we would like compensation".

On the other hand, Mr Barry Cox, director of corporate affairs at London Weekend Television, says bluntly: "We will need to go widescreen anyway if the market is going that way. But if the Commission is putting up the money, of course we will apply."

In fact, the costs involved do not appear to be enormous: observers put the total charge to the UK broadcasting industry at less than

There is also no question of broadcasters shifting all their production to wide-screen in one go. The impact on existing small-screen users, who will very likely have to make do with unattractive "letterion of programm for wide-screen, will initially keep it restricted, probably to films, sport and drama

The path ahead is still far from straightforward. Even if agreement is reached today on a funding package, the debate continues between proponents of two alternative means of proceeding to wide-screen at "standard" definition.

Some of those involved want to proceed as soon as possible with the so-called "PAL-plus" system, which enhances the existing signal sufficiently to take wide-screen; others want to wait until digital is available. The industry could end up moving from one to the

Finally, of course, comes the consumers' actual readiness to buy the new sets. Expect some cultural differences. According to the BIS survey, by far the largest objection to wide-screen in the UK was from respondents fearing that the screen was too large; by contrast, the French and Germans, given the same options, were mainly afraid that their living rooms were too small Compelling subject for a docu-

mentary, perhaps.

OBSERVER

Ex-Governor for hire

■ With only a fortnight to go before the newly-ennobled Robin Leigh-Pemberton hands in his keys as governor of the Bank of England. it is far from clear what he is going to do next. He has had a good innings at the Bank and as a fit 66-year-old he has a few years service left in him.

If he should run short of job offers he could always seek advice from his old chum and long-time Bank director, Sir Adrian Cadbury, whose ProNed body specialises in finding non-executive directors for tough jobs. But it is unlikely to come to that. Before he became a central banker, Leigh-Pemberton had been chairman of a clearing bank (NatWest) and an industrial company (Birmid Qualcast). The Fed's Paul Volcker and the

Bundesbank's Karl Otto Pöhl, have had no difficulty collecting an impressive portfolio of directorships when they stepped down. Neither should Leigh-Pemberton.

However, there is one particularly delicate matter which needs to be resolved. Leigh-Pemberton is one of two Brits on the board of the Bank for International Settlements. the central bankers' talking shop. The other is his predecessor, Lord Richardson, who has just been re elected for a further three-year term. Eddie George gets a seat automatically. But will Lord

Richardson do the decent thing and give up his place. After all Lord O'Brien did the same for Richardson when he quit the Bank in 1983.

Mental aides ■ Sir Charles Powell, once the most

feared civil servant in Whitehall, has enlisted the aid of his old mistress, Lady Thatcher, to launch an appeal to finance research into schizophrenia. Sir Charles, who forsook the

intrigues of Downing Street for the more civilised world of big business, is leading an effort by the Mental Health Foundation to find a cure for one of the world's most serious but incurable illnesses. Observer can think of no better cause for a re-union of one of Downing Street's most famous teams.

Visa problems

■ It appears that Britain may have gained a slight diplomatic advantage over the French with the victory of Chief Moshood Abiola in Nigeria's presidential elections. Abiola, who made his fortune

selling telecommunication systems to the Nigerian government in the 1970s, has close ties with Britain. He owns the London-based African Economic Digest and is a frequent visitor to the city. However, Observer hears that France's corps diplomatique may need to mend a few fences.

'Who is Terry Venables?'

The problem dates back to Abiola's application for a visa to visit France three years ago. After some delay, the chief's personal assistant went to the French embassy in Lagos to complain. Embassy staff, who had not heard of the great man, demanded Abiola provide a return ticket before issuing the visa. "Chief Abiola does not need a ticket," the assistant explained. "He has his own plane."

Disconnected

■ So all publicity is not necessarily good publicity, after all. In addition to Michael Mates, it would seem that Christopher Morgan, the PR

man at the centre of the row over political intervention in connection with Asil Nadir, had another good buddy who was also a Hampshire MP. In the register of members' interests, Gerry Malone, the clubbable Conservative party deputy chairman, has listed Morgan & Rogerson as a client.

The Winchester MP, who says "Christopher was and is a personal friend", explains that he ended the formal relationship at the end of May because of mounting political commitments.

Fighting fit ■ As the smoke starts to disperse

over the Tottenham Hotspur Football Club battle ground, the casualty list does not appear to be quite as long as expected. General Portfolio, the Harlow-based insurance company, for example, reports that it has not been damaged by events. It

will continue to flog insurance policies to Spurs supporters for another 14 months at least, even though the deal was set up by ousted chief executive Terry Venables.

Venables did the deal with GP because he liked the look of its national sales director. Bob Patmore, a former star of the Tottenham youth team. But GP spokeswoman Valerie McKirdy stresses that it had not been a personal deal but a three-year agreement signed with one of the Tottenham Hotspur companies.

"We are certainly not aware of anything to suggest that the

To be fair, GP is quite practised in dealing with the sensibilities of new owners. A wholly-owned subsidiary of a French company, it continues to use a logo of the Duke of Wellington.

Same old story

It might be out of bounds and a soft target. But Kamlesh Bahl, who took over as boss of the Equal Opportunities Commission yesterday, has already fired off a stiff letter to one of the dustier corners of the British establishment. which still discriminates quite openly against women.

Ms Bahl says she was humiliated last week, when meeting a friend at the Oxford and Cambridge Club in London's Pall Mall, to discover that, as a woman, she had to wait downstairs for her male escort and later, could only drink her coffee in a certain corner of the building. Sadly, says Ms Bahl, the EOC is powerless to do anything about private clubs, such as the Oxford and Cambridge, which still bar women from full membership.

Once again

■ Why did Lady Thatcher come out so strongly in support of John Major? The answer is as easy as

Anybody But Clarke.

n the second Tues-day of every month, 13 central bankers meet in the sleepy Swiss town of Basle to review the monthly accounts of the Bank for International Settlements, one of the world's most powerful and secretive banks. The general manager, Mr Alexandre Lamfalussy, admits that the gathering, in the bank's nuclear-attack-proof 1970s headquarters, is usually a formality and rarely last more

than 15 minutes. The bankers say their main reason for the trip is for the other meetings held there, during which they discuss weighty issues of monetary policy and the health of the financial system. However, the 15-minute meetings are crucial since the revenues from the bank pays for all the other activities and the sumptuous meals and rural excursions that make the

sojourn more pleasant. The BIS set up in 1930 to recycle German first world war reparations back to Germany as government loans, is, in the words of Mr Lamfalussy, a mixture of arcane traditions and banking strength. But it has come to play a pivotal role in the world's financial affairs, through a combination of secrecy, financial strength and technical expertise.

Tucked away at the back of its latest 230-page report on global monetary conditions and international banking supervision, are the balance sheet and profit-and-loss account. They show that last year the BIS paid a record SFr240 dividend from record profits of \$271m, while its balance sheet expanded at an unprecedentedly fast rate.

The location of the figures reflects the banking department's shy public posture. The BIS is the central banks' bank - 84 per cent of its shares are owned by 33 central banks. with the balance held by private shareholders - and the glare of the limelight would not be conducive to its busi-

"The main banking activity of the BIS is to help the reserve management of central banks." Mr Lamfalussy said. This means that central banks place substantial amounts of their foreign exchange reserves with the BIS, normally on very short-term deposit. "Between 85 and 90 central banks deal with the BIS," he added.

"Our share in world foreign exchange reserves is normally around 10 per cent." At the end of March, the BIS held \$106bn of deposits from central banks - 60 per cent in dollars - 28 per

Banker to the bankers

Robert Peston on a powerful and secretive institution

cent more than the previous

According to Mr Lamfalussy, the BIS's success stems from its liquidity and its discretion. When there is uncertainty in foreign exchange markets, central banks need to know they have instant access to their reserves, in case they have to intervene in the markets. "If a central bank rings up at 4pm and asks for \$2bn, we can give it to them immediately," Mr Lamfalussy said. "No other bank can do that."

The BIS's financial skills and liquidity were tested as rarely before during the instability which rocked the European exchange rate mechanism last

'If a central bank rings up at 4pm and asks for \$2bn, we can give it to them immediately

European central banks sold an estimated DM188bn between June and December in an attempt to reduce upward pressure on the D-mark. Most of the sales were for dollars.

At the height of the crisis, between August and the end of October, central bank deposits at the BIS increased by almost \$27bn. If central banks had placed these funds directly into the money markets, speculators would have found it even easier to work out what the banks had been up to.

The BIS also lends to central banks in an emergency. Mr Lamfalussy hinted that central banks whose D-Mark reserves were running low because of sales of the German currency, may have borrowed some from the BIS during the ERM debacle, before rebuilding reserves through a bond issue or cur-

He added that the BIS pays an interest rate on central banks' deposits below commercial bank rates but above treasury bill rates (governmentissued securities). It then makes a small profit by placing these funds on deposit with the most financially secure commercial banks or in govern-

Central banks accept a low rate of interest because of the BIS's balance sheet strength. which guarantees the security of their deposits. But assessing its net worth is complicated: it admits using unusual accounting techniques and undervaluing and hiding some of its

The BIS has built up gold and currency reserves worth \$4.3bn, expressed in the quaint convention of gold francs, a monetary unit invented by the BIS and used exclusively by it. When translating currencies into gold francs, the BIS uses a fixed gold price of \$208 an ounce, well below the current market price of about \$365, which means that one gold franc is equivalent to \$1.94.

At the end of March, the BIS's published capital and erves in gold and currencies were GFr1.75bn (or \$4.3bn). But several more calculations are required to arrive at a more accurate measure of the hank's financial strength. As Mr Lamfalussy said, its assets are substantially more than that".

One disguised source of wealth is its "miscellaneous account", an unusual balance sheet classification. Unrealised gains and losses on its hold-ings of currencies and securities are taken through the miscellaneous account, which stood at the equivalent of \$2.9bn at the end of last year. Many banks would include all of that in their capital and reserves. In addition, the BIS owns and occupies a 21-storey office block in Basle, and owns several acres of prime property around it. This is all valued in its balance sheet at GFr1.

Total net assets could be as high as \$9bn. Even though central banks and shareholders recognise that its strong balance sheet is the key to its ability to do what they want, they cannot help casting a covetous eye on the gold, cash and real estate. Some central bankers believe BIS is over-capitalised and should perhaps return part of its capital to its share holders in the form of a special dividend.

Such a suggestion is anathema to Mr Lamfalussy. The BIS, he said, must have sufficient capital to borrow and lend billions in the time it takes for a central bank governor to raise his eyebrow.

n three weeks, the Royal Commission on Criminal Justice will deliver its verdict on the health of the English criminal justice sys-

Set up two years ago after a series of miscarriages of justice, the commission, chaired Lord Runciman, was charged by the government with carrying out the most far-reaching review for more than 100 years.

The legal establishment hopes not only for a report that could help restore public confidence, but for a blueprint for the next century. "The judi-ciary has the highest expectations," according to Lord Tay-lor, the Lord Chief Justice. But doubts have surfaced

about what the report will achieve. Many lawyers believe that, by tackling everything from police investigations to the problems of long fraud trials, the commission will not have had enough time to examine the issues - some far from clear cut – in depth.

Lord Williams of Mostyn, QC, last year's bar chairman and Labour's legal affairs spokesman in the House of Lords, says it is a "watershed" But he has doubts about what it can accomplish: "I hope to goodness they've had enough

The political impetus for change has been the need to restore confidence in English justice. But the government's hands will be tied both by public spending contraints and

competing political priorities. The best hope for concrete proposals is on the question of miscarriages of justice. Studying the events arising out of the IRA's 1974 mainland bombing campaign should have enabled the commission to identify several factors that contributed to the wrongful convictions of the so-called Guildford Four, Maguire Seven

and Birmingham Six.
The commission is likely to recommend the creation of an independent tribunal to take the investigation of suspect cases out of the hands of the Home Office. It is also expected to recommend the establishment of an independent forensic science service, to give the defence access to forensic facilities enjoyed only by the prosecution at the moment.

Such firm recommendations are, however, likely to be the exception rather than the rule. Much of the evidence received by the commission has been conflicting.

Disputed confessions, for example, are central to most alleged miscarriages of justice.

A verdict but no conviction

A review of the English criminal justice system is unlikely to fulfil expectations, says Robert Rice



A change in the law, to prevent a defendant from being convicted on a confession unless it is made in the pres ence of an independent third party or supported by other evidence, would seem an obvious recommendation.

Yet this has proved a controversial area. The commission found that, in nine out of 10 cases in which confessions were central to a case, there was corroborative evidence. In the remainder, the police could have produced it if needed, but had chosen not to in order to save time and money. This, say some, shows that a requirement to produce corroborative evidence in all cases is an unnecessary expense; others say that, if corroborative evidence is available in most cases, the police should be

required to produce it. While high-profile issues such as ways of preventing miscarriages of justice are expected to lead to firm recommendations, the bulk of the report is likely to concentrate on cutting costs and increasing efficiency. It will also have to tackle the delicate question of the balance between the powers and rights of prosecution

Mrs Barbara Mills QC, director of public prosecutions, believes the best way to cut costs is to reduce the number of cases that go to the Crown Court for jury trial. She has

and defence.

urged the commission to recommend the abolition of the defendant's right to choose jury trial for offences that can be tried either by magistrates or in the Crown Court.

Judgment time: Lord Runciman (right) studied wrongful conviction

Of the 120,000 cases committed by magistrates to the Crown Court each year, about 35,000 end up there because the defendants have elected jury trial. The average daily cost of a Crown Court trial in 1992-93 was £6,850. The costs of a trial in a magistrate's court is estimated at less than half that

owever, the DPP's proposal is unlikely to find favour with the commission, mainly because the right to be tried by one's peers is strongly supported by the judiciary. Lord Taylor calls it "an inalienable right going back to Magna Carta".

Mrs Milis can expect more support for her call for a formal system of plea bargaining. where an accused can secure a lighter sentence in return for a guilty plea.

At the moment, guilty pleas do generally lead to reductions in sentences, but the process is informal and arbitrary. The prosecuting authorities, judges and the bar want an open sys-tem, under which defendants are guaranteed a sentence discount for a guilty plea secured at the earliest opportunity.

The DPP sees plea bargaining as the best means of tackling the waste caused by "cracked trials" - trials that are aborted (and move immediately to sentencing) when the defendant changes his or her plea to guilty at the last minute. In such cases, all parties will already have prepared for

a full trial. Some 70 per cent of defendants committed by magistrates to stand trial on a notguilty plea change their plea to guilty at the Crown Court. About a third of them enter a guilty plea on the day of the trial or just before, causing a

cracked trial. Lord Mackay, the Lord Chancellor, leads the government's support for formalised plea bargaining. Mr George Staple, director of the Serious Fraud Office, sees it as the solution to problems of long and complex fraud trials. "By avoiding the contested trial, with all that it implies in terms of expense and time and manpower, a plea of guilty is the single most effective means of shortening the process," he says.

But Lord Roskill, the former law lord who chaired the 1986 Fraud Trials inquiry, is opposed to formalised plea har-gaining: "The real objection is that it enables people to buy themselves off."

He is also concerned that plea bargaining may induce the innocent to plead guilty or

feel there is pressure on them to do so. The result could be to encourage miscarriages of justice. This concern is shared by Justice, the law reform pres.

sure group. A further difficult question for the commission is how to correct the perceived imbalance between prosecution and defence: protecting the rights of the defendant while ensuring that the prosecuting

authorities have the armoury to bring the guilty to justice Many judges, including the Lord Chief Justice, believe the odds are weighted too heavily in the defendant's favour. Few defence lawyers agree, although the opinion of the judiciary may carry more eight with the commission

Some inroads are likely into the defendant's right to silence: the right not to say anything in his or her defence, either to the police or in court. The central issues are whether the court should be able to draw inferences from an accused's failure to explain alleged criminal conduct before trial, and whether the so-called ambush defence" – where an accused remains silent throughout an investigation but offers an explanation at

trial, taking the prosecution by surprise - should be outlawed The commission's research found that silence may have hampered the conviction of the guilty in only 2 or 3 per cent of cases. Nevertheless, the num-

ber of people who argue that the innocent have nothing to hide by giving an explanation is growing. The commission will probably recommend that the

its case early in the pre-trial proceedings. Controversy over this and other issues, coupled with the government's apparent reluctance to see radical reform of

the system now, mean the commission will not produce Mr Kenneth Clarke, the former home secretary, has indicated the government intends to treat the report as a consultation exercise. If it accepts the

any legislation With the recent climbdown over a means-related fines system (withdrawn in May after only seven months) fresh in the memory, the government

Two years ago radical change seemed imperative. Now any reform looks likely to



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THE EDITOR

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IoD presses case for independent bank

From Mr Peter Morgan. Sir, Having campaigned for more than a decade for an Independent Bank of England,

the Institute of Directors is encouraged that the advantages of this ultimate privatisation are becoming accepted wisdom among a wider range of influential figures - not east the former chancellor of the exchequer and his predecessors - to whom we have made repeated representations. The government is naturally

wary of relinquishing its hold over one of the levers of economic control, and claims that an independent central bank could not have brought down inflation more quickly than the government. Yet inflation would not have risen to such a high level and wrought so much damage on the economy and business so frequently, had the Bank of England been able to operate a rigorous antiinflation policy.

The objectives of an indepen-

dent bank should be set by par-liament, to which it should be accountable, openly and in detail, for the discharge of defined and limited responsibil-

The Bundesbank and the Reserve Bank of New Zealand provide interesting precedents. Within these parameters the Bank would be free to operate in the best interests of the economy rather than for the benefit of political parties benefit of political parties | Institute of Directors, influenced by party politics | 116 Pall Mall, London SW1

and the electoral cycle. Given the uncertainty surrounding the exchange rate mechanism and European monetary union, the best signal the government could give to our European partners and financial markets of its commitment to low inflation and sound money is to grant independence to the Bank of England. Peter Morgan,

director-general,

Forecasts

From Mr Roland Davis. Sir, Gordon Mitchell (Letters, June 14), invites the Financial Times to publish forecasts of share prices. But that is exactly what the FT does. Need I remind him that in the absence of non-public informa-

tion the best forecast of tomorrow's price is today's price? I hope Mr Mitchell is not wasting his money trying to guess which companies will outperform the market. Nobody should be picking individual shares now that the superiority of a diversified portfolio is well-established. Roland Davis,

Brook St,

Cucksfield, W Sussex

Whistle stop

From Mr Guy Dehn. Sir, Your article about the organisation Public Concern at Work, headed "Solicitor launches group to protect whistle-blowers" (June 14), is premature and somewhat inac-

We have not been formed to protect "whistle-blowers employees who disclose confidential information in what they judge to be the public interest". Rather our object is to develop alternatives where employee concerns about public dangers are first raised and addressed within their organi-

When we launch in the autumn, all will be clearer. Guy Dehn, barrister. Public Concern at Work, Lincoln's Inn House, 42 Kingsway,

Karadzic talks peace but killing goes on

From Mr Bernd Karl, Sir, It must be the climax of western perversion that after

the complete failure of our politicians to stop the killing in Bosnia that the Financial Times should give Mr Radovan Karadzic, the Bosnian Serb leader, a chance to publish an article (Personal View, June 9). How can one dare to give a war criminal such an opportunity, given the the reality of the past 14 months of killing. torturing, raping and ethnic cleansing, mostly by Serbs. Do you really believe this is the way to prove our democratic

A meeting in Luxembourg of foreign ministers of the EC is followed by a meeting of the

system? The Serbs must be

Nato foreign ministers making all the well-known declarations. Meanwhile, the Serbs are closing in on Gorazde and are using captured Moslems as human shields while advancing on the town - and Mr Karadzic in his article is talking about peace. I am com-pletely puzzled about what you intended by publishing the article.

I must be very naive to have believed that the news media, and especially newspapers, should have played a more forceful role in condemning the inaction of our European politicians. The article you published is just doing the

I still cannot understand how we have allowed these

crimes to be committed after the atrocities of the Germans during the second world war. We witness them every night on TV and yet the world looks the other way. I am deeply disappointed that you chose to publish the article. Who other than a courageous press should point out the bigotry and hypocrisy displayed by the "civilised" western world in

the Bosnian conflict? I have just heard on the radio that Serb forces are attacking three "safe havens" Zepa, Gorazde and Srebrenica. And Mr Karadzic talks of peace. Bernd Karl,

8000 München 60,

Amnesty report on women in Tunisia baseless From Mr Mohamed Lesser. Other testimonies contained

Sir, With reference to your summary of the Amnesty International report on women in Tunisia ("Amnesty says women tortured in Tunisia", June 3), I wish to state the following. The report is totally irre-

sponsible and completely without foundation. It is based almost entirely on the content of propaganda leaflets from illegal extremist groups whose declared objective is to undermine the Tunisian government. Therefore, we reject and deny its allegations, most of which have been refuted in previous government responses while others pertain to women who have been subiected only to measures authorised by law. They have never been maltreated, tortured or been the victims of any other

in the report were given by women whose identities were not revealed, but who belong to two extremist movements, both of them banned. Amnesty has repeated and endorsed the allegations but, under the pretence that it is fearful of reprisals, has not checked any of them through the usual procedures. This pretence is intended to harm Tunisia's reputation and undermine its

judiciary. Also, no prior notice about the report was given to the Tunisian government as is usually done by Amnesty. it is tronic that Tunisia, of all countries, should be singled out for criticism in connection with women's rights when the

country is widely acknowledged to have achieved more progress in that area than any other country in the developing world and is often called

upon to chair human rights committees in regional and international forums.

Tunisia has in the last few years signed and ratified the UN convention against torture without reservations and has set up a higher committee for human rights and fundamental liberties, and a commission of inquiry into earlier allegations received from Amnesty. The president of the republic has also nominated a counsellor for human rights while units were set up in various ministries to deal with human rights. Furthermore, an ombudsman has appointed with a full team to support him in his job.

All these measures testify to the strong commitment of Tunisia towards human rights. Mohamed Lessir, Ambassador of Tunisia, 29 Princes Gate, London SW7

defence be required to disclose

the hoped-for blueprint.

commission's ideas, further detailed study of the practical implications is likely before

will not be rushed into action.

Television/Christopher Dunkley

Everybody seems to be 'morphing'

emember Murray Mints, the too good to hurry mints? We're going well, we're going Shell? Wondering where the yellow went when you cleaned your teeth with Pepsodent?
How straightforward matters

were in the days when television commercials were simply supposed to sell things. Now afflement is the order of the day and smart references to famous movies or previous commercials are de rigueur. You see a picture of a man with a bird cage on his head, and then a woman with a model of a Richard Rogers building in her hair. A grand piano falls in slow motion from a high bridge. The picture cuts rapidly from a human skull with smoke emerging to a sinister bald black man wearing a patent leather corset as he sits in front of a navy blue sky. Big ball bearings whiz through the

What on earth is being advertised? A dungeons and dragons computer game? A new pill to banish nightmares caused by Gorgonzola and gherkin sandwiches? We hear what sounds like David Bowie singing as events become even more obscure: three creatures part animal, part human, wade through a river, bending as though to look for something under the water. An old man is seen, covered in gold paint. A car drives through water sending up a huge sheet of spray. A head appears in a black leather sado-masochist's mask bristling with metal spikes and with a zip across the mouth. Finally comes the sales pitch, written round a rubber tyre: "Tested for the unexpected,

Had this been produced as a

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Byrne's bar.

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show reel by a student on a mass media studies course we would have said it was technically competent but derivative in rather too studied a manner. it echoes every overdone rock video from "Relax" to "Justify My Love" and on the way borrows from every mass media fashion from James Bond to Derek Jarman. The mystery is why anybody imagines it

might sell car tyres. The commercials for the current British Telecom share sale are not baffling but they, too, are full of references to other trendy mass media material; indeed they consist entirely of parodies of Inspector Morse, with Mel Smith as John Thaw. It is fairly funny to have the Morse figure bustling into the manor house and ignorantly blowing away the forensic man's fingerprint powder, or using a megaphone from the top of an Oxford tower to tell his people on the ground to "Grab that one, the one in the gown, no not that one in the gown ..." and so on. But again the question arises, why anybody thinks that this is the best way to sell the product.

Why not tell us something about the advantages of owning BT shares? The amount of information conveyed in these commercials is startlingly small_ Do you understand the Toyota Celica commercial? Two pantomime Italian policemen pull into a petrol station which, instead of an Italian sign saying "Gasolio", has a huge American sign saying "Gas". They peer admiringly into an empty right hand drive Celica. An attractive girl walks up and climbs into the left

hand seat. The driverless car

police follow. We see that the

Toyota has a British number plate and has somehow acquired a second person, in the driving seat. The police pull out to overtake, the Toyota disappears, then reappears going in the opposite direction, and a voice says "The car in front is a Toyota". But of course by this time there is no car in front, only a car behind. What on earth is it all supposed to mean and why does anyone imagine it might sell us a Celica?

These are not isolated examples, dredged up from remote parts of the schedules. On the contrary, they are some of the

Commercial breaks appear to be devoted to directors who would rather be producing rock videos

most frequently repeated com-mercials presently appearing on ITV and Channel 4, and there are plenty more like them, where mystification seems to be paramount. Since all cars now have adjustable seats, glove compartments, handbrakes and windscreen wipers, and many have cassette players, Volkswagen can-not be trying to use these as unique selling points. So just what are they doing in the ad where the woman pulls the seat forward, stuffs the sweets in the glove compartment, takes off the handbrake, puts on the windscreen wipers and rejects the cassette only to be followed by a man who pushes the seat back, takes out the magically moves off and the sweets and so on? Why do the man and woman in the Pirelli

commercial swap seats and why isn't he allowed to sit beside her? Why does the second blues musician in the Heineken ad fall through the verandah floor: does this beer no longer reach the parts that others cannot reach?

The more carefully you watch the commercials, the more powerful becomes the feeling that many of them are now being made by people who are more concerned with the furtherence of their own careers than with sales of the products. Perhaps this is not surprising, given the fame of men such as Ridley Scott whose progress from Hovis ads to Blade Runner has been told so many times that most of us can recite it. However, there does appear to have been a sea change. In Scott's day television commercials were at the forefront of innovation: you could trace the introduction of new techniques from commercials to Hollywood and then into the mainstream of television. Today the innovations seem to be coming from rock videos and Hollywood, moving into commercials and then

spreading elsewhere.

"Morphing" is a good example. This trick, in which a computerised dissolve is used to give the appearance of one thing literally turning into another - metamorphosis first appeared in rock videos just over a year ago (notably Michael Jackson's last major offering), was then used extensively in Terminator II, and is now unavoidable in the commercial breaks. From Andersen Consulting where a snail turns into a frog, via Castrol GTX where an Aston Martin turns into a Vauxhall, then a Land Rover and so on, to the BBC's latest house commercial

in which John Humphrys Lenny Henry and Kate Adie rapidly turn into one another, everybody seems to be morphing. No doubt television programmes will soon discover the technique and overwork it until it becomes a cliché.

There are still enjoyable commercials with beer, as ever, providing a lot of the laughs, many of them, once again, depending upon know-ing references to previous com-mercials. In Boddington's current campaign the lady goes through the old Camay routine, dabbing her cheek with "lather" (foam from the head of the beer) and being told by her man "By 'eck, you smell gorgeous tonight petal". Green King has hired the chap who used to tell us that he liked his Remington razor so much he bought the company and got him to say "I had a taste of Green King IPA and liked it so much - I bought a pint". Meanwhile, in the background, two men shave themselves with electric razors. Panasonic has a wonderful ad in which a very old lady extols VHS video cameras ... with help from her

But this is about as close as you come today to a simple sales pitch. The great bulk of any commercial break nowadays appears to be devoted to auditions from directors who would like to be working for rock video producers, or who are already doing so and would now like to move on to Hollywood. It makes for some amaz ing technical trickery, and some fascinating virtuoso passages of film making. Whether it increases sales of sweets. petrol or toothnaste as effectively as the old jingles and pack shots is a different matter

To see Bloom portrayed by

someone as tall, slim and

attractive as Carey Harrison

gives a whole new dimension

to Bloom's role as husband and

cuckold. We have here a new



Samuel Ramey as Attila, deploying all his best strengths

Opera in London

'Attila' and 'The Flute'

s revived at the Royal Opera by David Edwards, Elijah Moshinsky's splendid Verdi production retains all the power it had in 1990. Verdi composed Attila some four years after Stiffelio (which Moshinsky staged triumphantly this spring), and four years before *Nabucco*. It counts unambiguously as "early Verdi", which most often means bald melodrama and stand-and-deliver arias. In that restricted style Verdi could already write potently expressive music, and sometimes break through the period routines; but his libretti and their Verdi took quite seriously as

his inspiration - now inspire only patronising attitudes. Moshinsky's great practical gift is for forcing us, too, to recognise that those situations are serious at heart, at least as Verdi sets them; that the apparent veering between banality and lofty extravagance is only a matter of surface style, as in Handel's operas; that all those arias are human responses to grave circumstances, not mere operatic

No doubt, early Verdi with exotic trappings like Attila -decadent 5th-century Romans fending off hell-bent Attila and his Huns - has looked ridiculous in revivals this century which tried to play him "natu-ralistically". Moshinsky's solution here is inseparable from Michael Yeargan's sets: stagehigh wooden palisades parting at unpredictable angles to reveal ancient towns, mudflats and barrens, gloweringly lit by Robert Bryan. The time and the places are evoked palpably, but with a minimum of picturesque detail; and in those lour-

ing spaces, the performers can

make their old-fashioned gestural semaphore tell. As the posturing becomes transparent, we see through it to tribal loyalties, fraught personal trusts, voracious ambitions and old, inconsolable regrets for a "noble" world lost. (Verdi honoured all the

Risorgimento ideals.) If almost every aria begins with either a rumpty-tum village-band flourish or a strummed harp - quite rightly, the conductor Edward Downes swings into those things with unabashed fervour - in this cleverly strippeddown context its vocal line soon says something sharper and more poignant. That needs a superlative cast, and again the Royal Opera have got one. From earlier runs we have Giorgio Zancanaro again as the disillusioned, backwardlooking Roman general Ezio.

confounding the New Grove Opera diagnosis of his role ("vague and undefined") by a searching account of "Dagl'immortali vertici"; and as the romantically besotted Foresto, Dennis O'Neill - our best mock-Italian tenor, by a very long way - can at last marry his guilty hangdog look to passionate expression.

Above all, the new incumbents in the central roles serve Verdi's (and Moshinsky's) intentions with severe honesty. Elizabeth Connell's Odabella, reeling between Italian patriotism and Attila's macho appeal, wields all the requisite vocal steel - unlovely, but hard-wrought and gripping and yet melts beautifully for her last, compromised alea to Foresto. Attila himself is the American baritone Samuel Ramey, deploying all his best strengths: coiled-spring intensity, dark eloquence and a sculpted Tartar face. Directed by Terry Edwards, the Royal

Opera chorus makes a decisive mark at each opportunity. Such tautly contrived mixes are unstable; hear this one if you can, while it lasts!

David Murray

On the same night English National Opera reached its final presentation of the season, a revival of The Magic Flute. Whenever the company is in search of an audience, this is an opera to which it can turn. The present production. dating from 1988, is sophisticated and morally unimpeachof racism from the text by avoids sexism by introducing a woman into the Brotherhood. An easy sense of humour, the opera's childlike innocence. come to it less easily.

This revival is not especially distinguished, in either orchestral or vocal terms. Alan Opie's genial Papageno was worth his bottle of scrumpy, shared no doubt with Sally Harrison's bubbly Papagena at the end. Otherwise, the chief pleasure of the evening came from the radiant singing of Gillian Webster, whose Pamina is in a class of her own, abeautifully pure soprano and a musician who shapes every phrase in the most personal manner. In the favourite duet with Papageno this translation has her singing of "truth and beauty" - just the qualities that she alone brought to the perfor-

Richard Fairman

There are seven more peformances of Attila at Covent Garden between tonight and July 3; The Magic Flute is at the London Coliseum until June 25 (sponsor: United Airlines)

Lunch with Mr Bloom

Dublin this time of year as the celebrations of June 16 - "Bloomsday" the Grafton Street area knowon which the events of ing that Molly has an assignation with her lover, Blazes Boy-James Joyce's novel took place become ever more prolific. lan, and afraid of meeting the How refreshing, then, after latter face-to-face. He is disinnumerable Molly Bloom soliltracted by the gulls and buys oquies (... and yes I said yes I two Banbury cakes for a penny will Yes) to have a dramatisato feed them. He passes the tion of Chapter Eight, chiefly time of day with an accuaintance, Mrs Breen, is repulsed which Leopold Bloom, after by the prospect of eating in the a Gorgonzola sandwich and a for Davy Byrne's where he exchanges a few words with glass of burgundy in Davy Nosev Flynn, After, on his way to the National Library, he This chapter does not imine does indeed catch sight of the

diately call out for dramatisadreaded Blazes Boylan. tion. Nothing much happens. Bloom, hungry in spite of a now legendary breakfast, hav-Carey Harrison, who did the adaptation, must be given full credit for turning this unproming attended Dignam's funeral, walks by the Liffey towards

hour of theatre while remaining remarkably faithful to the original. The cast of five occupy a central square in the low ceilinged crypt with the audience seated on two sides.

Alannah Hopkin celebrates 'Bloomsday' in the Dublin Castle Crypt

Sean Tracey's direction makes the best of this limited space. Just how popular Bloomsday has become can be judged by the fact that broadcaster Gay ising material into a riveting Byrne dedicated a good half

Theatre/Antony Thorncroft

gramme to an interview with Carey Harrison, and expressed some doubts as to how the son of Rex, and master of similarly cut-glass vowels, would man-age Bloom's Dublin accent. Harrison pointed out that, through his mother, Lilli Palmer, he is every bit as Jewish as Bloom, and that in any Jew not a native Dubliner In the programme notes he excuses his height (just over 6ft at a guess) by pointing out that at 5ft 9ins Leopold Bloom was 5 inches taller than the average Dubliner of his day, and at 11st 4lb somewhat slimmer that the Bloom of popular imagination.

hour of his weekday radio pro-

Bloom. Harrison's portrayal brings out the thoughtful, humanitarian aspects of Leopold Bloom, making him more noble than pitiful, and putting Molly's dalliance with the bounder Boylan into a quite He opts for a neutral stagewith the authentic Dublin accents of the supporting cast. Anne Kent as Molly Bloom, Mrs Breen and assorted voices

sounds exactly right. Martin Dunne is an inspired Nosey Flynn: he, David Ganley and Frank O'Sullivan are versatile in their various supporting

than in his ring-craft. Ali was undoubtedly terribly victimised by the government for his refusal to follow Presley into the Army for religious rea-

sons, and this becomes the dra-

matic finale of the first half.

But as the second half opens

Ewing dodges this issue. "Why

ain't I in gaol? Because I've got money". Ali was a great success off-Broadway and will appeal to the Ali fan club. Boxing fans could be disappointed in the lack of real meat. Equally disappointed will be those who wanted the inside track on one of the most fascinating characters in 20th century entertain-

Mermaid Theatre 071 410 0000

has this Ali a pretty face; his soul could hardly be bettered, too. He is your very Islamic The set says it all. Ali, long retired is talking to his people - the poor and the disadvantaged - in "an underfunded recreation room in a neigh-

li, Geoffrey C. Ewing's

one-man show which

re-opens the Mermaid

Theatre at Black-

friars, is described as a tribute

to the former heavyweight box-

ing champion of the world.

And there's the rub. Not only

bourhood cultural centre in Detroit" in 1989. He begins slow and hesitant. He is suffering from Parkinson's Syndrome, although

the audience his current disability is shaken off, and he returns to his youth and his prime, to his joy at winning an Olympic Gold Medal in Rome for the US and his disillusionment with his treatment back home as a black. The formula is predictable but workmanlike. The problem is that none of the interesting

Gradually as he responds to

bits of Ali's life are allowed to come between the man and his legend. There is not a critical Ewing suggests that Ali uses

'Ali': more Islam than ring craft his illness to protect himself word in the piece. His relation-from pestering questions. whips with women might be considered to be, well, rather sexist, but here the wives are blamed for not becoming enthusiastic Moslems. The arrogance, the political naivity, the money making, above all the fascinating question of how much his illness can be attributed to blows in the ring, are ignored, as are his relation-

ships with his nine children and his upbringing. The consolation is that Ewing makes a sympathetic Ali. The physical resemblance

is close enough, especially when he strips down to "float like a butterfly, sting like a bee". A ring dominates the set, and the piece takes off when the fights are re-created, especially the "rumble in the jun-gle" with Foreman and the thrilla in Manila" with Frazier. But director Stephen Henderson's only dramatic effect comes in the fight with Holmes when Ali's nemesis as a boxer conveyed through flashing lights and klaxons. Ewing seems much more interested in Ali's commitment to Islam

> Philharmonic Orchestra in a Wagner orchestral programme. Sun morning, Mon and Tues evening: Gerd Albrecht conducts Hamburg State Philharmonic Orchestra and Monteverdi Chorus in Verdi's Four Sacred Pieces and Mahler's orchestration of Schubert's Death and the Maiden quartet (354414)

LEIPZIG

Opernhaus Tonight: Uwe Scholz's ballet The Creation, music by Haydn. Tomorrow and Sun: Elektra with Deborah Polaski. Frt: Cosi fan tutte. Sat: Il trovatore. Tues: Scholz's ballet Symphonies (291036) Gewandhaus Sat: Brigitte Fassbaender song recital. Sun: opera concert with Veriano Lucchetti and MDR Symphony Orchestra conducted by Daniel Nazareth. June 29; Brendel plays Beethoven (7132

■ STUTTGART

LUDWIGSBURG FESTIVAL Fri: Evgerry Klasin piano recital. Sat: Yuri Bashmet viola recital. Sun: Duo Mediterraneo plays dance music from 13th-16th centuries on a variety of instruments. June 23, 24, 25: Rudra Béjart Lausanne presents Bélart's latest dance creation. The festival runs till September 26. Most performances take place in Theater m Forum (7141-949610)

■ MUNICH

THEATER DER WELT Munich's World Theatre season runs till June 27, with performances spread around the city's major stages. At Residenztheater, National

Theatre of Crajova, Romania. presents Alfred Jarry's Roi Ubu night and tomorrow, and Shakespeare's Titus Andronicus on Sat and Sun. Luc Bondy's French-language staging of lbsen's John Gabriel Borkman, starring Michel Piccoli, opens tomorrow at Theater im Marstall for four performances. Moscow's Teatr na Pokrovke gives the first of five performances of Chekhov's Three Sisters next Tues at Scholastika. Other groups at the festival are New York-based Wooster Group, Piccolo Teatro di Milano and Théatre de Complicité (Tickets and Information from Maximillanstrasse 11, tel

Gasteig Tonight: Daniel Nazareth conducts MDR Symphony Orchestra and Chorus in works by Brahms, Richard Strauss and Ravel, with soprano soloist Gundula Janowitz. Sun: Munich Bach Chorus performance of Haydn's oratorio The Creation, Mon: Enoch zu Guttenberg conducts Brno State Philharmonic and Chorus in Mendelssohn's Elljah (4809 8614) Herkulessaal der Residenz Tomorrow: Melos Quartet plays works by Haydn, Janacek and Beethoven, Fri: Ingo Metzmacher conducts Bavarian Radio Symphony Orchestra in Boulez, Messiaen and Zimmermann (299901) **Deutsches Theater Bubbling Brown**

OPERA FESTIVAL Munich's National Theater reopens on July 1 with a new Bavarian State Opera production of Lady Macbeth

Mon (5523 4360)

Sugar, Harlem musical, daily except

of Mtsensk starring Hildegard Behrens. Other highlights of this year's five-week festival include new productions of Die Frau ohne Schatten and La traviata, plus well-cast repertory performances of Le nozze di Figaro, Don Giovanni, Die Zauberflöte, Cosi fan tutte, Lucia di Lammermoor, Tosca and Die Meistersinger von Nürnberg (221316)

■ STOCKHOLM

Drottningholm Tonight, Fri, Mon: Louis Langrée conducts John Cox's Swedish-language production of Zémire et Azore. Next Tues: Langrée conducts Drottningholm Theatre Orchestra in a symphonic programme entitled Around the Revolution. July 10: first night of Una cosa rara, opera by late 18th century Spanish composer Vicente Martin y Soler (660 8225) Royal Opera Tomorrow, Fri: Boccaccio. Sat: Die Meistersinger von Nürmberg. End of season (248240)

STRASBOURG

STRASBOURG FESTIVAL Kiev Opera gives guest performances of Nabucco tornorrow and Fri, followed on Sat by a Strasbourg Philharmonic Orchestra concert featuring trumpet soloist Maurice André and flute soloist Jean-Pierre Rampal. Next Tues: Il seminario musicale presenta sacred music by Pergolesi and Scarlatti. Next Thurs: first of four Opéra du Rhin performances of Cosi fan tutte. Next Eri: Alfred Brendel plays Schoenberg's Piano

Concerto (8832 4310)

ARTS GUIDE Monday: Berlin, New York Tuesday: Austria, Belgium

Netherlands, Switzerland Chicago, Washington. Wednesday: France, Germany, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide. European Cable and Satellite Business TV (All times are Central Euro-Dean Time) MONDAY TO THURSDAY Super Channel: European Business Today 0730: 2230 Monday Super Channel: West of Moscow 1230. Super Channel: Financia Times Reports 0630 Wednesday Super Channel: Financial Times Reports 2130 Thursday Sky News: Financial Times Reports 2030, 0130 Friday Super Channel: European Business Today 0730: 2230 Sky News: Financial Times Reports 0530 Saturday Super Channel Financial Times Reports Sky News: West o Moscow 1130; 2230 Sunday Super Channel:

West of Moscow 1830 Super Channel: Financia Times Reports 1900 Sky News: West of Moscow 0230; 0530 Sky News: Financial Times Reports 1330; 2030

INTERNATIONAL

BONN

Valery Panov's new Chekhov ballst, Three Sisters, opens at the Oper on Sat, set to piano music by Rakhmaninov played by Vovka Ashkenazy (repeated Sun, next Tues and Wed). Mon: Ken Russell's new production of Salome with Emily Rawlins, Graham Clark and David Pittman-Jennings. June 24: Placido Domingo sings Otello (773667)

DUSSELDORF

Deutsche Oper am Rhein Tomorrow and Sun: Heinz Spoerli's production of Giselle. Fri and Tues: Fabio Luisi conducts Pet Halmen's new production of Turandot. Sat and next Wed: Swan Lake (211-8908 211). Duisburg Theatre has Cosi fan tutte tonight, Salome on Fri and Siegtried on Sun (203-3009 100)

COLOGNE

Opernhaus Tonight, Sat: Un ballo in maschera with Andrea Gruber, Taro Ichihara and Paolo Coni.

Tomorrow: Die Zauberflöte. Fri: TanzForum triple bill, choreography by Jochen Ulrich. Sun: Thomas ulton conducts revival of Willy Decker's production of Billy Budd, with Stuart Kale, Boje Skovhus and Allan Evans, repeated next Tues and Fri (221 8400) Philharmonie Frt. Seraiu Celibidache conducts Munich Philharmonic Orchestra in symphonies by Haydn and Tchalkovsky (2801)

COPENHAGEN Tivoli Tonight: Pinchas Zukerman Chamber Ensemble plays Beethoven, Mozart and Tchaikovsky. Tomorrow: Yan Pascal Tortelier conducts Danish Radio Symphony Orchestra in works by Hindemith, Rakhmaninov and Bartok, with plano soloist Hélène Grimaud. Éri: Aldo Ceccato conducts Beethoven's Eighth and Ninth Symphonies. Mon: King's Singers. Tues: Paavo Järvi conducts Malmo Symphony Orchestra in a Brahms programme. June 26: Walter Weller conducts concert performance of Tannhäuser with René Kollo (3315 1012)

DRESDEN

Semperoper Tomorrow, Sun, next Wed: Les Contes d'Hoffmann. Fri: Ariadne auf Naxos. Sat: Rakhmaninov double bill, pairing a ballet set to The Isle of the Dead with his early opera The Miserty Knight, Tues: Fidelio (484 2731) Kulturpalast Sat and Sun: Günther Herbig, chief conductor of the Dresden Philhermonic in the 1970s, returns for the first time since German unification to conduct the

orchestra in works by Bartok and Bruckner, with viola soloist Tabea Zimmermann (486 6306)

■ FRANKFURT André Heller's gypsy variety

show Magneten opens tonight at Alte Oper, daily till June 27. July 1 and 2: Pierre Boulez conducts London Symphony Orchestra, with Daniel Barenboim and Jessye Norman (1340 400) Michael Boder conducts

Christof Nel's new production of Die Meistersinger von Nürnberg tonight and Sat at Opemhaus (also June 26, July 4 and 11), with Alan Titus as Hans Sachs (236061)

 Tom Stoppard's 1973 radio play Artist descending a Staircase can be seen on Sat and Sun at Kammerspiel. The Schauspielhaus repertory includes Schiller's Don Karios and Shakespeare's Othello and The Merchant of Venice (2123 7444), English Theater Kaiserstrasse has Alan Ayckbourn's Taking Steps, daily except Mon (2423 1620)

■ HAMBURG

Staatsoper Tonight: Culiberg Ballet presents Mats Ek's 20th century version of Giselle at the Staatsoper. Tomorrow: Ek's Carmen ballet. Fri and Sat: Lar Lubovitch Dance Company. The next two weeks are otherwise devoted to John Neumeier ballets, including 8ach's Matthew Passion on Sat (at Hauptkirche St. Michaelis), Schnittke's Peer Gynt on Sun and the Mendelssohn/Ligeti Midsummer Night's Dream on Tues (351721) Musikhalle Tonight: Sergiu

Celibidache conducts Munich

aving energy is generally far cheaper than building new power plant, but convincing consumers of this simple and obvious message takes effort and skilful persuasion.

However, a Canadian company has taken on the task of preaching the virtues of power conservation to utilities and energy users around the world. Its scheme has attracted more than 25 utilities, from Mexico to the Czech republic, and others are expected to join soon.

Power Smart began as the energy conservation initiative of British Columbia Hydro, the governmentowned utility. The company spent C\$60m (£30.7m) developing a wideranging package of programmes for its own use, and then realised it could do even better if it worked with other utilities.

BC Hydro found that the province's population of 3.5m was not enough to interest manufacturers to go along with its plans. They were reluctant to take the trouble to meet BC Hydro's standards for products such as energy-saving motors, low-power refrigerators or high-efficiency insulation, and then face the same process for the next

utility down the road. So BC Hydro set about bringing other utilities into its scheme. It transferred its conservation expertise into a separate company -

Power Smart - two years ago. Now, most of Canada's electrical utilities have signed up, and Power Smart is optimistic about further expansion in eastern Europe, South America and the US, all areas which already have one or more members. In March, the firm signed up its second US member, American Municipal Power-Ohio (AMP-Ohio), which supplies electricity to more than 77 communities.

The utilities which have joined vary widely in size. BC Hydro has a capacity of more than 10,000MW, mainly from hydroelectric dams, and supplies more than 1.3m customers. The smallest member. Caribbean Utility Company, on Grand Cayman Island, uses diesel generators with just 71MW of capacity for 12,600 customers.

But they all face the same simple economics - it is nearly always cheaper to encourage users to save a kilowatt hour of electricity than it is to build the capacity to generate an extra kilowatt hour. At BC Hydro, which has low power costs. it is estimated to be five times more expensive to increase capacity than to save energy. Nor does the strictly financial cost of expanding capacity include the strains that generating electricity places on the environ-

The generic term for schemes such as Power Smart is demandside management. Once a typical programme is up and running, most

The smart way to save energy

A Canadian company is showing utilities the virtues of power conservation, writes **Stephen Wisenthal**

ers in the form of rebates, customer help lines and other types of service, says Tom Cave, Power Smart's director of energy services.

Short-term financial incentives resistance to the higher initial cost of energy-efficient equipment, but the benefits - to the customer and the utility - last much longer. And a crucial component of the programme is marketing.

"To get past the engineering barriers, you have to get people to think about conserving energy. The most powerful energy-saving technique of all is changing people's attitudes, and changing attitudes is essentially a marketing function,

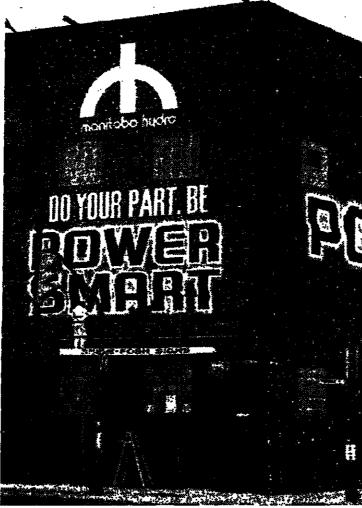
Under the umbrella of demandside management, different utilities have widely varying goals. Utilities in developed countries usually want to discourage consumption across the board - for industrial, commercial and individual customers.

In eastern Europe, on the other hand, the problem is seen as too much consumption by industrial users and not enough by residential consumers. Governments there want citizens to have refrigerators and other items which improve the quality of life, says Eric Cardey, a vice-president at Power Smart.

Another important driving force behind conservation in eastern Europe is to preserve the environment. Much of the region's electricity is generated from low-grade coal, which contains up to 3.5 per cent sulphur and creates considerable pollution.

Unfortunately, conservation cannot be the region's only concern. Large generating complexes were built under the communists to serve industry. Industrial demand, particularly for military production, has fallen off - but they have to keep selling the electricity to cover the cost of running the power plants they already have.

Yet governments in eastern Europe are taking a longer term view about residential consumption. "if they don't get energy efficient now, because there is so much retrofitting and new construction



taking place, they're going to miss the boat," says Cardey. And the Czechs and Slovaks have realised the importance of marketing in achieving these goals. When they joined Power Smart, they obtained the right to use the name and logo in their advertising and access to programmes for everything from low-energy water heating and lighting to efficient air com-

energy-efficient motors in British Columbia. The motors have a higher cost, which pays for itself in 1.5 to two years through energy savings. The average market share for high-efficiency motors for manufacturing use in North America is 3 per cent. In British Columbia, that share has been increased to 75 per cent since the Power Smart prossors and even buildings. gramme began.

As an indication of the sort of success they can hope for, Cardey Arthur Geikie, president of Power Smart, says the strength of his com-

cites the promotion of the use of

pany's programme is that it offers a complete range of conservation plans - for residential, industrial, commercial and institutional users. Being a member of Power Smart allows small utilities to take advan-

tage of research they could not afford, he adds. For an annual fee ranging from C\$10,000 for a utility with fewer than 10,000 customers to C\$75,000 for a million or more customers, Power Smart provides the right to use its logo in promotional materials. The utilities can also pick from a "library" of tested and proven

ideas and, perhaps just as impor-tantly, avoid costly mistakes. Given the importance of marketing in encouraging conservation, the Power Smart brand name is seen as a key element, providing a shorthand for manufacturers and consumers to rally around. Even in non-English speaking countries such as the Czech and Slovak republics, the English language logo is used alongside a translation.

The company endorses products, allowing manufacturers to use the Power Smart logo on qualifying items and making it easy for con-sumers to identify energy-efficient

A large number of Canadian suppliers are already involved. And companies such as Philips, the Dutch electrical concern, and Tungsram, the Hungarian subsidiary of General Electric of the US, are looking at certification for some of their products.

Power Smart has carried out consulting work in countries, including Costa Rica, Peru, Thailand and Russia, which have little or no history of demand-side management and which it is hoped will sign up as members in the future.

Utilities in developed countries have tended to be a harder market. They usually already have some kind of demand-side management in place, and it is more difficult to convince them of the benefits of banding together.

Western Europe has less need for help, largely because electricity prices have been very high for a long time. "Europeans seem to have positive attitudes already," says Cardey. For the future, Power Smart hopes to continue expanding. It has signed up its first gas utility and hopes to add more.

In the long run, Power Smart expects regions where a number of utilities have signed up, and achieved "critical mass", to become more autonomous, sharing resources within the region with counterparts which have similar

If BC Hydro, with some of the cheapest electricity in the world, can justify spending money to reduce consumption, anyone can.

The EC's green badge scheme is in disarray, says Peter Knight

Eco-label still not sticking

ext month, the EC Commission launches its ecolabelling scheme without a single product displaying the much-awaited badge of environ-

mental approvai. The Commission's original intention was to have at least five abelled products in the shops before the launch. Instead, the scheme is in disarray. Some countries such as Ireland and Portugal have failed to set up the necessary organisations to administer the abel. Others like France and the Netherlands appear to be developing national schemes in preference to the EC's.

Some manufacturers are threatming a boycott and environmental groups complain that their views have been suppressed in favour of industry's. "Anyone can punch holes in the scheme. The really hard task is to find solutions and not just look for problems," says Julia Hailes, the enviconmental consultant on the UK Sco-labelling board.

Each country was supposed to set up a national board to organise and administer the label. The UK board is known to be critical of the Commission's level of commitment to the scheme.

The idea of an EC-wide scheme was developed in the late 1980s in response to consumer pressure for an official stamp of approval on goods with a reduced impact on the environment. "We have suppliers who are trying to reduce this impact and want to tell our customers about it," says Alan Knight, environmental co-ordinator at B&Q, the UK do-tt-yourself

"But because most of our customers won't believe environmental claims made by manufacturers, an official eco-label is the best solution," he says. Experience with environmental labels in Germany, Canada and the Nordic countries showed that manufacturers could gain market share and possibly charge more for approved goods.

The EC hoped its label would satisfy demands from consumers and encourage industry to improve its environmental perfor-

PEOPLE

trouble. Methods for judging products were inadequate and created disagreements within industry and between environmental groups and manufacturers.

At one stage, it was decided that paper products with high proportions of recycled material would be favoured at the expense of those made with virgin pulp. This upset pulp suppliers who argued that recycling paper was not necessarily the best environmental option.

Recently, environmental groups have begun to press for the exclusion of products tested on animals. They say this must be a criterion but the label's administrators say animal testing is cov-ered by other EC laws.

The Body Shop, a maker of per sonal care products which campaigns against animal testing, has threatened to boycott the scheme unless animal testing is included in the criteria.

The confusion and delay has disillusioned some manufacturers. Electrolux and AEG will continue to support the scheme and apply for labels, but Hoover is concerned that environmentalists are gaining too much say.

Hoover might not apply for a label for its washing machines. Bosch is undecided. The European Lighting Council has withdrawn from the negotiations to establish a label for light bulbs. Manufacturers are also dis-

mayed at the amount of red tape the scheme has encouraged. Details on the only product category so far to get the official nod dishwashers and washing machines - have yet to be published in the EC's Official Journal. Publication is about three months behind schedule because the various Brussels departments are taking so long to process the paperwork.

The one good thing is that the scheme has at least encouraged manufacturers to pay attention to environmental issues and improve their products. This is good for the environment, even if they decide not to apply for a label," says Hailes.

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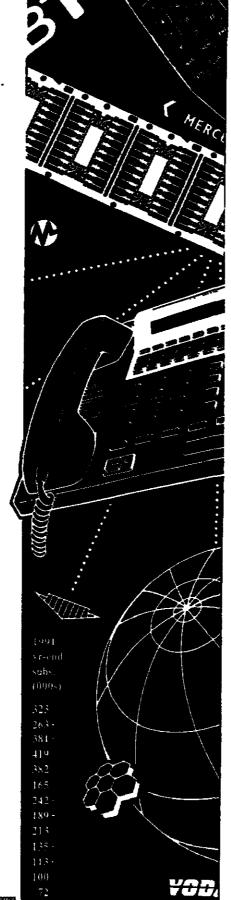
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C&W veterans prolong their stay

directors, 54-year-old Brian Pemberton and 57-year-old Tom Chellew, who between them have clocked up 58 years at the telecommunications group chaired by Lord Young, are retiring in July, but both will retain consultancy roles on a renewable annual basis.

The continuing association with C & W contrasts with the departure in early 1992 of Peter van Cuylenburg who saw his hopes of becoming chief execu-tive dashed when James Ross was brought in from BP.

Pemberton, who joined the

company in 1957, was responsible for restructuring the Hong Kong business during the 1980's. At one time he had seemed a possible successor, in the chief executive seat, to Sir Eric Sharp, but he was eclipsed by Gordon Owen, who then resigned after a power struggle on the arrival of Lord Young. There is no suggestion of any continuing rankle, however, and after the arrival of Ross. Pemberton had been made internationaldirector encompassing C & W's international network and the marine division as well as North America

The regional responsibilities of Chellew, meanwhile, tended to prompt the question from envious colleagues as to what he did for his holidays. On joining C & W in 1971, his expertise was the Caribbean; after the Ross reshuffle he looked after the Indian Ocean, Africa and the Middle East, and the Pacific Islands in addition to the Caribbean.

As Pemberton and Chellew will not be replaced, the top management team will now consist of five executive and five non-executive directors in addition to the executive chairman Lord Young.

C & W was unable to specify how much time each departing director would continue to devote to the company. How-ever, both remain on a number of subsidiary boards in their areas of expertise - Pemberton for the Asia Pacific region and Chellew for the Caribbean.

Nor are they quite the last of the old C & W hands, despite the considerable changes in management wrought since the arrival of Lord Young. Mike Gale joinedthe compan-



Peter Courtney, 60, who two years ago took early retirement from Boots where he had been group finance director, becomes non-executive chairman of Yorkshire Building Society, Britain's 12th largest society.

He succeeds Denis Macnaught, the former chief executive between 1975 and 1987. who is now stepping down from the board at the age of

"Macnaught is a retiring Scottish accountant; Couriney is also a chartered accountant but a very different personality" says a Yorkshire Building Society spokesman, who adds that "no deliberate change of style is being sought."

Courtney, who has been on the society's board since he left Boots, is also a director of Throgmorton Trust and

Transfer Technology recruits Bill Hayden

Transfer Technology, the fast-growing specialist engineering company headed by Labour MP Geoffrey Robinson, has recruited Bill Hayden to the board as its third non-executive director. Rhys Williams, chairman of the council at the University of Warwick and until recently a director of GEC, who has just been coopted to the board.

Hayden, the former Ford of Europe manufacturing director, spent his last two years before retirement as chairman and chief executive of Jaguar, famously comparing factory conditions at Ford's new prestige acquisition to plants he had seen in Gorky. Robinson is perfectly familiar with Jaguar, having been chief executive at just 35 in the mid 1970's when he remembers luring away a number of Hayden's key men. As it is, Ford is by far TransTec's biggest customer on the car components side, buying 75 per cent of the company's manufacturing output for the auto-

motive industry. A principal reason for hiring Hayden, who lives just 20 minutes away from the TransTec's Coventry office, is his knowldege of the Japanese market and his ability to deal with Japanese car makers, according to finance director Neil

A leading authority on Japanese work practices, Hayden was the author of a paper "BJ AJ" – Before Japan, After



Japan – written after a semi nal visit to the country in 1979. At a time when it was still notably difficult for foreigners to divine much about Japanese manufacturing techniques, Hayden had come back "shaken" by the competitive gulf between Europe and Japan, and resolved dramatically to improve Ford's effi-Robinson has said that he

will split the role of chairman and chief executive at some point during the next 18 "All the non-executive direc-

tors are possible chairmen" says Logue "but Hayden would fit the bill very well." Hayden is also on the board of automotive design engineer Hawtal Whiting.

Kleinwort's wolf man turns on L. America

Old Etonian Roger Palmer, whose private wolf pack has often had more publicity than his share tips, has hung up his hat after five years as Klein-wort Benson's chief investment

Palmer, 46, a former partner of Grieveson Grant before it was taken over by KB, has ment strategist. After three been picked to head his firm's move into the market for emerging Latin American securities. Whilst almost all of the major North American brokers are active in this market, it is a relatively new departure for a London broker,

However, Palmer says that it takes as long to fly to Buenos Aires from New York as it does from London, and KB is keen to capitalise on its corporate finance connections in the region. It is one of the co-lead managers of the partial privatisation of YPF, Argentina's state-owned oil company.

Albert Edwards, 32. Palmer's

deputy for the last four years, takes over as global investyears at the Bank of England. he moved to Bank of America's Investment Management arm, before joining KB in 1988.

Palmer is the latest global investment strategist to switch jobs. Lisa Hosking, a member of Warburg's number one rated team, moved to CSFB a year ago, and James Capel's Alastair Ross Goobey left to head

Personnel costs have been creen

ince the beginning of this month, staff at the Yokohama town hall are being urged to conduct meetings

standing up.
To help them, the City Office has built a new conference room which, instead of tables and chairs, is furnished with 16 podia. The new conference room was the result of mounting concern among Yokohama city staff over the number of meetings held each day and the amount of time each one took. If meetings were held standing, city officials reasoned, they were bound to finish sooner.

A growing number of Japanese companies are similarly looking for ways to improve efficiency among office staff.

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Lower pay

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Shiseldo, the Japanese cosmetics company, has set aside two hours each day as "concentration time". Staff at the Tokyo head office do not attend meetings or answer the telephone during that period. instead, a few members of each division take turns to man the phones allowing their colleagues to concentrate on the work in hand.

Shiseido launched the scheme in April after it discovered that interruptions during the day from tele-phone calls and meetings were the main cause behind the need for staff to work overtime.

The scheme is part of a wider programme aimed at improving productivity among its office staff. Shisetdo hopes to reduce the num-ber of overall working hours from the current 1,920 to 1,860. This may not seem much, but in Japan any reduction is highly unusual.

Toyota, the car manufacturer, is also implementing a programme this month which aims to raise productivity among office staff by 30 per cent. The company plans to achieve this by requiring divisions to re-direct 20 per cent of staff time to new businesses and, for the remaining 10 per cent, by reducing working hours.

What has triggered this growing concern with raising productivity is the economic slump, which is one of the worst for the country since the end of the second world war. Company profits in Japan, announced last month, were down for a third

consecutive year. Against this environment, a preoccupation of Japanese company managers has been the need to ensure profitability even while markets are not expanding. Since it is socially unacceptable in Japan to make large redundancies, one way to maintain profits in sagging markets is to raise productivity.

Office workers have become a target of this productivity drive because, while Japanese companies are recognised for their achievements in raising productivity on the factory floor, they have not had Japanese companies are looking for

ways to improve efficiency in the office, writes Michiyo Nakamoto

Standing oration



lar workers in the past few years

Between 1955 and 1991, the num-

ber of professionals and engineers

employed by Japanese companies

grew by 385 per cent, that of manag-

ers by 280 per cent and clerical

workers by 326 per cent, the Japan

Productivity Centre found. This

compares with 111 per cent growth

in the number of skilled workers.

The Bank of Tokyo estimates

white-collar workers accounted for

nearly 70 per cent of the rise in the

number of employees between 1986

when the economy was surging.

similar successes in the office. Between 1976 and 1990 the production costs incurred by all listed Japanese companies fell 5 per cent. largely as a result of improvements on the factory floor, says Kuniyoshi Sasaki at the Japan Productivity Centre. Meanwhile all-non-manufacturing costs - those related to administration and marketing

rose 33 per cent Another reason why concerns about productivity are targetted at the head office rather than the factory floor is that most Japanese companies took on many white-col-

ing up, from 11 per cent of revenues five years ago to 12 per cent last year according to the Ministry of Finance.

Sasaki lists several problems which must be tackled if productivity in the Japanese office is to be

● Too many meetings. Sasaki attri-butes this to the "village society" mentality that still rules in Japanese companies. One reason for Yokohama City Office's standingonly conference room is because it discovered that city staff spent too much time there. According to its research, 200 conferences are held on average by City Office staff per day, with each conference averaging two hours 25 minutes.

The situation has even led the City Office to publish a booklet on how to cut down on meetings, which suggests they should not last longer than one hour on average, and that briefing papers should be restricted to a maximum of three.

Currently, says Sasaki, whenever something happens everyone meets to discuss it. There then has to be a more informal get-together, followed by drinks and so on.

 Unclear responsibilities. Multiple management layers in Japanese companies mean it is often difficult to know where responsibility for particular decisions lies.

For example, the department head is usually responsible for the department's activities, but it is the divisional head who is actually involved in day-to-day issues.

• Ineffective use of office equipment. When a new machine is intro-

duced in a factory, the whole production process is reviewed and work is re-arranged accordingly to raise productivity. But in the office, the wider use of

PCs and copiers has not resulted in similar efficiencies. There is a need for office work engineering," Sasaki says. Office automation has not been accompanied by a reorganisation of work pat-terns which would raise productivity. If anything, he says, the volume

of paperwork has increased.
While a return to better times may blunt current enthusiasm for productivity increases in the office. the labour shortages expected in Japan early next century mean companies may have to come up with solutions now. However, Sasaki does not expect a dramatic improvement in the foreseeable

The government's policy is to maintain employment levels even if that means excess labour among companies. Government subsidies pay for the salaries of workers seconded to subsidiaries, those who are asked to stay at home for lack of work, or who need to be re-trained to do other work.

A sympathetic ear in the office

Employee counselling schemes are helping to make the workplace happier, reports Peggy Hollinger

senior administrator in a London bank had spent several years successfully climbing the corporate ladder. Yet over a period of six months he began to experience headaches, a poor appetite and eczema. Demoralised, he started scanning the employment pages

for a new job. His departure might have cost his employer thousands of pounds, as it sought to train a replacement candidate. Yet due to confidential counselling paid for by the bank, which identified symptoms of stress due to a difficult relationship with a superior, he remained and was soon promoted

to a more senior position. A female employee in a computer firm faced similar problems. Yet after a few counselling sessions, she is back at work and enjoying a better relationship with friends and colleagues

"My friends say I have changed a lot, become a lot more outgoing and assertive," she says. Employee Assistance Programmes (EAPs) are run by 80 per cent of the top 500 US companies. In the UK, EAPs are also becoming an increasingly popular employment benefit, particularly in the banking, pharmaceuticals and financial

services industries. Since the late 1980s some 150 UK companies are estimated to have taken up comprehensive EAPs and the rate of participation is increasing, according to providers.

Groups as diverse as Whitbread and Mobil Oil are among converts to the advantages of providing confidential counselling to employees and their families throughout their working lives. The counselling programme, usually contracted out to an

is often part of an occupational health programme. Employees and (where appropriate) their families are generally given a card with a number to contact a counsellor either for telephone or face-to-face

independent firm of specialists

The service may cover problems ranging from depression to debt, or stress arising from difficulties at home or in the

workplace. The argument for introducing such a programme may not be immediately apparent to frontline managers more concerned with the day-to-day job of surviving the recession. Improving the general sense of well-being among employees is likely to be lower

on the list of priorities. However, with recession forcing companies to cut staff, the sures on those who remain has never been greater.

Ian Anderson, community investment manager of Whitbread. is adamant his company's experience is solid proof of the

The service may cover problems such as stress arising from difficulties at home or in the workplace

benefits which EAPs can bring. He claims that "the EAP has been a major factor behind our success in retaining managers".

Since introducing it on a trial basis in 1988 in conjunction with the EAP firm, Focus, Whithread now offers the facility to all employees and their families. It estimates that about 5.5 per cent of its workforce uses the programme, with the most common concerns being work and family related.

Anderson believes the EAP has helped to improve the efficiency of employees and encourage a happier workplace. "If they have problems, they will be careless," he says. The company is also likely to experience problems of absenteeism and "general lateness". However, says Anderson, EAPs had helped "to nip such problems in the bud".

Mobil Oil, which uses the 24-hour service provided by Personal Performance Consultant considers its EAP to be an essential element of its health

and safety programme. Initially introduced to deal with the problems of its off-shore employees, many of whom are away from their families for two weeks each month, the facility has been expanded to cover 3,000 workers around the country.

John Cooper, Mobil's group medical adviser, stresses the importance of mental health at work, particularly in the off-shore industry. "If you are not functioning at 100 per cent, then

you are a safety risk," he says. Employees with problems will either refer themselves or can be referred by managers. If referred, it is up to the employee to decide whether to take up the offer.

The counselling will then remain confidential. Both Anderson and Cooper stress the need for this, although the company pays a price by receiving few statistics on use

of the programme. The lack of statistics makes the payback difficult to determine. In the US, where EAPs have been accepted practice since the 1940s. statistics are easier to come by. The aerospace group McDonnell Douglas is often cited as a company which has seen tangible

The initial costs of setting up an EAP are likely to be incurred in commissioning an outside counselling firm or hiring one in-house and printing the

promotional literature. On average, hiring an external counselling service will cost a company between £15 and £30 per employee, depending on the complexity of the programme

Companies must be prepared to invest in training management to spot potential problems, and appoint at least one person to oversee the day-to-day running of the programme.

Whitbread supports its EAP with posters, brochures and regular

"It is no use launching a programme with great razzamatazz and expecting your staff to remember its existence." says Anderson.

"Like any other service, it needs



ind Nestlé choose Citibank than any other bank.

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Nadir 'most unlikely' to return and face trial plant set to

and David Owen

MR ASIL NADIR is "most unlikely" to return to Britain to face trial this September it emerged yesterday, as the Conservative party pledged to return money donated to it by the fugitive businessman if it proved to be stolen.

In the first court hearing before Mr Justice Tucker since the former Polly Peck chairman jumped bail and fled to northern Cyprus, the Serious Fraud Office also ruled out any trial of Mr Nadir in his absence. However, the SFO announced its intention to continue criminal proceedings against Mr John Turner, the former Polly Peck group accountant facing false accounting charges.

Conservative party officials promised that the £440,000 donated to party funds by companies associated with Mr Nadir would be repaid if it were proved that the money had been stolen. They denied reports that Mr Nadir had

Complaints

COMPLAINTS about sex

discrimination at work soared

by nearly two-thirds last year.

forming a large proportion of

those claiming that companies

are discriminating in their hir-

The Equal Opportunities

its 1992 annual report yester-

day said there had been a 64

per cent increase over the pre-

vious year in complaints about

workplace discrimination. The

most common allegations con-

cerned recruitment, terms and

Of 1.253 complaints about

companies' hiring policies, 40

per cent were from men, said

the EOC. Ms Valerie Amos,

chief executive, said the reces-

sion had made men "much

more aware of their rights".

conditions, and sexual harass-

ssion, which published

ing policies.

with men, for the first time

made other secret donations to party funds. In an unusual statement released last night. the party said it received a total of £440,000 over five years, with the last contribution made in March 1990.

"These donations were not made by Mr Nadir personally but by Polly Peck International plc or Unipac Packaging Ltd." it said. "We know of no other donations from Mr Nadir personally or from his companies." Asked about allegations that Mr Nadir might have hoped the donations would secure him a knighthood, party officials said no one had received an honour because they had given money to the Conservative party. The sale of honours would be a criminal offence, they said.

In a crowded Old Bailey courtroom, Mr Anthony Scriv-ener QC, Mr Nadir's barrister, said he had taken instructions from his client at 4pm on Monday. "It is most unlikely he will be here for trial in Sentember. I do not propose to give reasons in open court," he said.

Accepting the position, Mr Robert Owen QC, for the SFO, ruled out any suggestion of putting Mr Nadir on trial in his

The judge also adjourned consideration of the possible forfeiting of Mr Nadir's £3.5m bail sureties. The ownership of the £2m security put up by Mr Nadir himself is currently the subject of an action in the Chancery division of the High Court between Touche Ross, the administrators of Polly Peck, and the Impexbank, a Turkish bank once owned by Mr Nadir. The judge ruled that any decision on the £2m should be postponed until the High Court had ruled on the owner-

ship of the money. He also adjourned discussion of the possible forfeiting of the other sureties put up for Mr Nadir. These were provided by Mr Ramadan Guney, who stood a surety of £1m and Mr Nadir's ex-wife, Ayesha, who provided

a £500,000 surety. The trial of Mr Turner has now been put back until Octo-

Chairman hits at from men of sex bias soar male work culture

By Diane Summers,

THE MALE culture of long. unsociable working hours is damaging women's career prospects, says Sir Christopher Tugendhat, chairman of Abbey

National. The message was echoed by Mr John Collins, chairman and chief executive of Shell UK, who said that "jackets over chairs" for 18 hours a day could indicate that a company was working inefficiently.

Men in the UK work longer hours than males in any other part of the European Community, according to research by the Equal Opportunities Commission. Nearly 42 per cent of men work more than 46 hours a week, compared with 23 per cent in the EC as a whole.

In a speech on equal opportunities Sir Christopher plans to deliver to the Industrial Society's women's network tonight, he will say: "Up till now, the workolace has been predominantly male-oriented. There has been a perception that to succeed one has to be tough, to work long and erratic hours, and to be willing to travel, to stay away from home, to move house and even sometimes country. These requirements have tended to favour the hiring and promoting of men rather than women.

Mr Collins said: "I don't want to encourage a culture where people are rushing around trying to achieve too much to the detriment of the quality of their work. That starts with the chairman - [

win go-ahead

By Bromwen Maddox

THE THORP nuclear reprocessing plant at Sellafield should get the go-shead pro vided that remaining environ-mental and legal questions can be settled, Cabinet ministers argued yesterday in their first formal discussions about the nlant's future.

The government is likely to issue a paper in the next few weeks setting out the case for British Nuclear Fuels' £2.8bn plant, the most contentious environmental decision facing the government.

Mr Paddy Ashdown, leader of the Liberal Democrats, yesterday wrote to Mr John Major, prime minister, to expres "grave concern at the national and international implications" of giving the go-ahead to Thorp, which would reprocess used nuclear fuel into reusable uranium and plutonium. The plant has taken nearly 10 years to build and is waiting for a government licence to start operation.

Thorp's future appears unlikely to be brought into the review of the nuclear power industry, due to start in the autumn. That would have postponed a decision - originally expected by BNF in January for months.

Yesterday's Cabinet discussions, which Mr Major did not attend, focused on the potential earnings from the plant. BNF has argued that Thorp will earn £900m for the UK in the first 10 years of operation and that each week of delay costs £2m.

The final decision falls to Mr John Gummer, the new environment secretary, who is a known supporter of the nuclear power industry.

BNF responded angrily to full-page advertisements yesterday in UK national newspapers taken out by Japanese pressure groups. The group, Japanese Citizens concerned about Plutonium, claimed that the Japanese power utilities, Thorp's biggest overseas customer, no longer wanted the plant to go ahead because it was accumulating too much

One in five 21-year-olds innumerate

ONE IN FIVE of the UK's 21-year-olds are innumerate, while one in seven are illiterate, according to research by the Adult Literacy and Basic Skills Unit.

These people were classified "functionally" innumerate or illiterate after a 30-minute ement of their skills, not because they could not read or add up at all, but because the requirements of industry have

Mr Peter Davis, chairman of the unit, said: "Even very simple jobs are becoming more complex. Skills need to rise and the needs of employers are rising generally faster than the

people's skills."
The unit suggested that an extra 25 per cent needed help with literacy, while an extra 33 per cent needed help with

Britain in brief

ICI refuses

to apologise

on CFC ad

THE Advertising Standards Authority upheld four out of

five complaints brought by

Greenpeace, the lobbying

group, against Imperial Chem

The complaints related to

ICI's claims concerning the environmental impact of Klea

134a, its substitute for CFC

The rulings are a significant

embarrassment for the British

group. It has invested more

than £250m developing the

Greenpeace complained ICI

had exaggerated the extent to

which ICT's CFC substitute -

to global warming. The claims

were published last October in

uted to British MPs and parlia-

In spite of the ASA rulings,

substitute for CFCs.

mentary staff.

ical Industries.

demand for an apology to be published. It said the advertisement had been factually correct, any changes required were essentially semantic, and that the ASA had agreed the company had not intended to

the sample of 13 per cent.

The ASA, an independent watchdog over printed adver-tising standards, supported ICI's claim that the direct impact of Klea 134s on global than that of the CFC it

Amec wins rig deck contract

Phillips Petroleum Company UK announced it has awarded Tyneside-based Amec Offshore a £55m contract for fabrication of a 9,800 tonne integrated deck for the Judy platform in the North Sea.

Phillips, operator of the £765m Judy-Joanne oil and gas field development, a joint venture with Agip UK and British Gas Exploration and Production, said Amec clinched the contract against stiff interna-

tional competition.

Amec Offshore, whose Tyne-Klea 134a - would contribute side payroll has dropped from The House Magazine, distribits 4,000 peak a year ago to 1,500, welcomed the order as a 'breathing space' while forther cost cutting measures are ICI rejected Greenpeace's

These questions were given to 21-year-olds to test numeracy.

Calculators were allowed.

Two items are bought for a total of £17.89. You hand over £20. What is your change? Fifteen per cent got the answer wrong. ● You buy a £4,900 car over three years. You must pay a 10 per cent deposit. What is the deposit? Twenty-three per cent wrong. You pay £4,410 over three years, paying monthly. How much do you have to pay each month? Seventy-six per cent wrong.

The survey, the most detailed of its kind vet mounted in the UK, broadly confirmed previous estimates that around 6m adults in the UK have difficulties with their basic skills, and that 40 per cent of teenagers entering further education needed reme-

dial help with basic skills. It showed that 21 year-olds with poor skills were much more likely to be jobless - 35 per cent of men with low literacy, and 25 per cent with low numeracy were unemployed, despite an overall figure for cent low numeracy scores.

Mr John Patten, the education secretary, addressing the unit's annual conference, announced that he was granting an extra £250,000 for pilot schemes in family literacy.

These mirror schemes to improve literacy in the US. He pointed to the unit's finding that poor literacy and numeracy correlate strongly with poor basic skills in parents. Of those whose parents were in the lowest attainment group, without educational qualifications, 61 per cent had low literacy scores and 52 per

improved, they would be more likely to pass them on their children, Mr Patten said.

He also claimed that the adult illiteracy problem "shows why it is essential to press ahead with testing" in schools. He said: "We cannot afford to wait until our pupils become adults before we identify and

tackle their needs." Mrs Ann Taylor, Labour's education spokesman, said: After 14 years of Conservative government the situation is clearly worsening. Government policy reinforces disadvan-

The survey was conducted in 1991 by City University, who interviewed a representative sample of 1,650 people born between April 5 and April 11, 1970. It excluded dyslexics, peo-ple for whom English was not a first language and those with mental disabilities.

Recovery cuts company funds

The short-term liquidity position of Britain's large manufacturing companies deteriorated in the first quarter of this year, indicating that growing manufacturing production was taking a toll of their readily available

The ratio, measuring current assets maturing in less than a year as a share of liabilities that have to be repaid in less than a year, was the lowest since the first quarter of

The Central Statistical Office said the seasonally adjusted liquidity ratio for large manufacturing companies fell to an estimated 95 per cent at the end of March from 101 per cent in the previous quarter and a recent peak of 121 per cent in the first quarter of last

Audit reform a 'labyrinth'

Companies are being bombarded with far too many demands for reform of accounting and auditing, the chairman of a group of leading finance directors said.

Mr Michael Lawrence,

finance director of Prudential and chairman of the 100 Group of finance directors, told a Confederation of British Industry conference in London that there was a "huge labyrinth" people were struggling to find their way through.

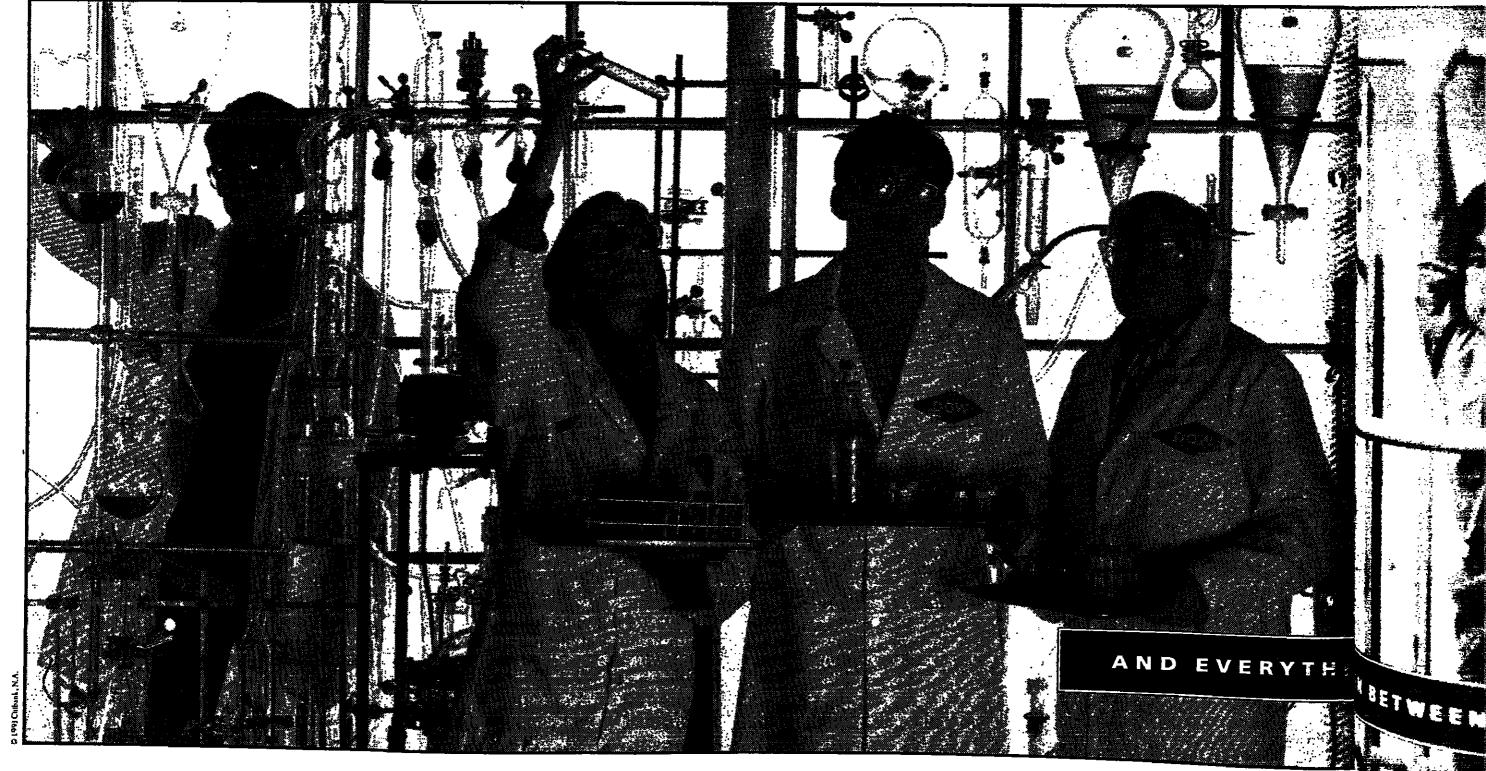
We are concerned about the volume of material being produced and the numbers of bodies becoming involved," he told the employers' organisation

"Many chairman and chief executives will begin to lose patience with all this. They will see time and energy being spent by self-interested bureaucracies producing sheaves of requirements. The good and the essential will be criticised along with the unnecessary and the unwieldy."

Firefighters to meet over pay

Local authority employers will meet representatives of the Fire Brigades Union later this month in an attempt to dampen the threat of industrial action if the firefighters pay formula is not restored

next year. Firefighters are one of the few groups of workers who have the power and, poten-tially, public support, to challenge the government's 1.5 per cent public sector policy.



From chemistry to candy bars, more global companies like Dow

BECAUSE Citibank forges solid, long-term relationships with its customers-over 70 years each with Dow and Nestlé.

BECAUSE Citibank has established an extraordinary record in foreign exchange, ranked number one by customers

worldwide for bank can mate

MR LEIGH-PEMBERTON, the outgoing governor of the Bank of England, last night called on politicians, academics and the City of London to consider how the Bank might be given more independence while staying

accountable to parliament. In cautiously worded remarks, he suggested that thought should be given to devising a "form of accountability that might enable us to have the advantages of a more autonomous central bank within the constitutional arrangements of our parliamentary democracy".

In his valedictory speech to the City of London before stepping down after 10 years as governor of the Bank of England at the end of this Governor calls for review of status for central bank, preserving its accountability to parliament

month, Mr Leigh-Pemberton said he recognised "along with the prime minister, that any change to the current status of the Bank of England could pose a dilemma in the UK with our long tradition of parliamentary accountability on the floor of the House by a Minister of the Crown.'

But in his address to the Lord Mayor's banquet, he added: "I think all of us - politicians, academics, ourselves in the City - will need to consider how this dilemma might be reconciled."

Mr Leigh-Pemberton has made no secret of his belief that central bank indepen-

dence can help countries achieve low inflation. In his remarks last night, he was taking up comments made by Mr John Major last week in the Commons in which the prime minister indicated that he might be in favour of central bank independence "were a way to be found to get the benefits ... without the loss of parliamentary accountability.

However, last night, Mr Kenneth Clarke, chancellor, made clear in his "Mansion House" speech that he did not intend to rush into a debate about giving more autonomy to the

Meanwhile the Lord Mayor

of London, speaking at the banquet, called for a national levy on businesses to help pay for the dramatic premium increases needed to buy City firms insurance against acts of

Lord Mayor McWilliams said: "If the country as a whole wishes to continue to benefit from the city's contribution to the national wealth surely it is right that the country should share some of the costs." Guests at the Guildhall also

heard that the London Stock Exchange is studying the creation of a "second level" market for smaller companies which would have lower listing

and regulatory requirements.
Sir Andrew Hugh Smith,
chairman of the stock exchange, said that finding ways to direct capital into smaller companies was an important task for the government and the Exchange

The Exchange is said to have set up a panel to look at the creation of an alternative to the Unlisted Securities Market. due to be closed in several

Sir Andrew said that simple creation of a trading exchange for smaller companies was not enough to spur greater invest-

He said the government must alter the tax structure. which currently encourages private investors to invest in their own homes or in collective investment schemes.

were slightly down in May, after rising during the first four months of the year.

Noting that the overall volume of

sales remained at pre-recession levels,

Mr Whittaker said: "Our experience is

that retailers can get over-optimistic

just as they became over-pessimistic at

According to the CBI's quarterly dis-

tributive trade survey, which measures

business activity among 15,000 retailers, wholesalers and motor traders, 18 per

cent more retailers reported a rise in

sales than those who had seen falls in

Though this was higher than May

last year, when the balance had been

14, it was below March's balance of 25,

and retailers' previous predictions. The

for June is 34 - the most optimistic

May. This balance was 17 in April.

some stages in the recession."



Publication yesterday of detailed plans for the UK's first toll motorway, around the north-east side of Birmingham, ran into immediate opposition from environmentalists and local residents. The protests provide a preview of the arguments that will

ied by protestors as he opened an exhibition of plans for the

Trafalgar House and Iritecna, the Anglo-Italian joint venture that will build and run the road, hope to win clearance for the

be voiced at a public enquiry into the road next year. In Coleshill, Mr Robert Key (right), roads minister, was lobb-

balance of retailers predicting growth

French look to Britain for medical tourist trade

By Alan Pike

FRENCH private hospital operators, at a meeting in London organised by their embassy yesterday, launched a bid to attract non-urgent surgical cases from Britain.

areas popular with British residents and tourists - Paris, Brittany, Nord Pas-de-Calais and Cote d'Azur - outlined to medical insurers the potential advantages of contracting for treatment across the Channel.

Price is the main advantage. A spell in a French hospital can often cost around 50 per cent less than the same treatment in the British private sector, The meeting heard of a British patient, quoted £2,100 for a cataract operation at home, who had the treatment in France for £1,100.

Mr David Ashdown, a director of Western Provident Asso-ciation, Britain's third largest provident insurer, said lower costs in France were leading to some corporate clients seeking provision for treatment there in their policies. WPA had obtained French treatment for British patients "although we have sent hundreds rather than thousands so far."

British health insurers told the meeting they believed most clients welcomed the convenience of local treatment, and would be reluctant to travel to France in order to help contain their insurers' costs.

The British insurers suggested that the French hospital directors should target their marketing efforts at uninsured private patients in Britain. Many medical procedures now involve day-surgery or very short stages in hospital; in these circumstances, a 50 per cent price difference could make "medical tourism" attractive to patients meeting their own bills.

The meeting also agreed that keen pricing could lead to co-operation between French hospitals and the National Health Service. But the issue is politically sensitive and, although NHS representatives were invited to yesterday's meeting, none attended.

Manufacturing growth Business optimism fastest since May 1989 reaches six-year high

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MANUFACTURING output recovered in April and is growing faster than at any time since May 1989, the government

reported yesterday.

The Central Statistical Office said manufacturing production grew by a seasonally adjusted 0.7 per cent between March and April after a 0.3 per cent decline in March. This prompted CSO statisticians to revise upwards their estimate of the annual trend rate of growth from 4 per cent to 5 per cent.

All manufacturing sectors increased output in the three months to April compared with the previous three months, lifting the manufacturing production index out of its previous nar-

A breakdown of yesterday's government figures suggests that recovery is being led by investment, and possibly higher than a year ago.

Sy Andrew Taylor.

Construction Correspondent

THE government named seven more

construction projects it would like

developed jointly by private and public interests and published guide-

lines for companies wishing to fund

and develop projects usually

financed by the public sector.

April's figures were buoyed by strong growth in the output of metals, iron and steel and computers. Taking the latest three months figures, which the CSO's statisticians consider a better guide, the office reported strong increases in the production of cars, computers and aerospace equipment as

well as materials for the building indus-

try and packaging. Production of cars and parts rose 8.1 per cent in the three months to April compared with the previous three months while output of computers increased by 14 per cent over the same

Consumer goods output was less buoyant, in spite of the sharp rise in car production. It rose 1.1 per cent in the three months to April compared with the previous period and was 1.3 per cent

The seven, expected to cost a total

of several hundred million pounds,

are all inner city projects in the Mid-

lands, north-west and north-east

They include two in Coventry and

two in Rochdale as well as schemes in Liverpool, Gateshead, Sunderland

and London Docklands where 70

acres of land in the former Royal

development.

ment corporations.

RETAILERS, wholesalers and motor traders are more optimistic about business prospects over the next three months than at any time since February 1987, a Confederation of British Industry survey said yesterday.

But with the pace of recovery in shop sales reported to have slowed in recent months, after a surge earlier in the year, the CBI employers' organisation warned that the strength of the upturn in consumer spending was still

Mr Nigel Whittaker, chairman of the CBI's distributive trades panel, said May was the fifth successive month in which retailers reported a year-on-year growth in sales. Yet the growth was below expectations and was partly due to aggressive discounting. Meanwhile, motor industry sales

Much of the land identified for

development is owned by public

authorities, such as local authorities

(local government) or urban develop-

guidelines, announced by Sir George

Young, construction minister, would

assessment since the beginning of the

Seven more public projects opened up to private investment Victoria dock are being offered for allow public authorities to hand over land free of payment to private developers in return for a share of

> greater freedom to use capital receipts to supplement investment The environment department by private sector companies. Developers could receive funds

Local authorities would have

tions, urban partnerships and City Challenge budgets.

The initiatives form part of a growing government campaign to encourage private investment in public projects in order to cut the public sector borrowing require-

The latest schemes are in addition from urban development corporato a list of 21 costing more than £1bn

nel under the River Tyne. The government is thought to be close to announcing that private sector backers have been found for several of these projects.

already announced by the former environment minister Mr John Red-

wood. These included a new airport

for Sheffield, a power station for

London's Docklands and a road tun-

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Slower US inflation | High hopes eases fears on rates

By Michael Prowse In Washington

US consumer prices rose 0.1 per cent last month and by 3.2 per cent in the year to May. providing further evidence that inflationary pressures are moderating, the Labour Depart-

ment reported yesterday.
Following last week's report
that wholesale prices were flat last month, the figures all but eliminated residual fears on Wall Street that the Federal Reserve might opt for an early increase in interest rates.

President Bill Clinton said the inflation figures were part of a broader improvement in economic conditions. At a Washington press conference he said employment had risen noticeably in recent months and mortgage rates were at a

But he warned that the economy would not continue to do well unless Congress soon

"The continuation of this trend depends on our ability to pass a strong economic programme through the Congress which reduces the deficit, increases investment in our future and is fair." he said.

First quarter current account deficit declined to \$20.9bn

In a separate report the Com-merce Department said the US current account deficit declined to \$20.9bn (£13.5bn) in the first quarter compared with \$23.7bn in the final period of last year.

The improvement - which occurred in spite of a rise in the merchandise trade deficit mainly reflected an increased surplus on services and a rise in net investment income. Most analysts are predicting relatively subdued inflation figures throughout the summer, reflecting an unwinding of dis-tortions which pushed up the indices earlier this year. A sharp cut in tobacco prices has yet to be reflected in consumer

If the figures remain encour aging, the Fed is unlikely to tighten monetary policy before the autumn in spite of its reported shift to a bias towards raising interest rates.

Compared with April's 0.4% increase the small overall rise in consumer prices masked big sectoral differences. Prices of energy and clothing dropped 1 per cent and 0.5 per cent respectively between April and May. But prices of many services rose sharply, with medical prices up 0.8 per cent following a 0.6 per cent gain in

The "core" consumer price index, which excludes the volatile components of food and energy, rose 0.2 per cent last month and by 3.4 per cent in

Smooth sailing towards court for new nominee

By Jurek Martin in Washington

JUDGE Ruth Bader Ginsburg yesterday began a round of courtesy calls in the Senate, amid guarded predictions that she could be confirmed as the next Supreme Court justice before the congressional summer recess

Her nomination by President Bill Clinton on Monday has been greeted by widespread approval; no apparent obstacles to her confirmation have immediately surfaced.

Even pro-choice advocates in the abortion debate, recognising Judge Ginsburg's long career as an advocate of women's rights, have qualified their initial reservations about her stand on Roe vs Wade, the 1973 court ruling guaranteeing freedom of reproductive choice. Ms Kate Michelman, head of the national abortion rights

league, said she looked forward to hearing Judge Ginsburg's explanation of a recent speech in which she had said that the ruling may have prolonged political divisiveness. Ms Michelman said that the judge would represent an improvement on the attitudes of the man she is to replace at the court, Justice Byron White, a Catholic who generally voted

Judge Ginsburg's reputation on the federal appeals bench as a consensus builder, an attribute complimented by Mr Clinton, seems to have reassured Republicans and Democrats alike.

for curbs on abortion.

It is generally assumed she will strengthen the divided court's centre, represented by Justices Sandra Day O'Connor. Anthony Kennedy and David

Even so, the process by

which the president arrived at her nomination, after an 88-day search, was still attracting criticism, as was his angry termination of a news conference after the first question had suggested he was prone to "a zig-zag quality" when making

up his mind. Mr Clinton said yesterday he had no animus towards the media and, at his latest news conference, offered an olive branch to the TV reporter who had so annoyed him.

As for print media, an editorial in the New York Times said he was "intemperate", the Washington Post blamed the running commentary from the White House" on candidates for the court job, and the Wall Street Journal, in typical ideological vein, wondered about "the intellectual selfparalysis of both Bill Clinton and modern liberalism.

of Brazil's 'real plan'

BRAZIL'S latest economic plan, the seventh in as many years and the second in just two months, has been met by a mixture of approval and disappointment, summed up by a cartoon on the front of yester-

day's O Globo newspaper It shows Mr Fernando Henrique Cardoso, the finance minister, clad in white leather and bursting into a saloon with guns waving. But when he fires, only a disappointing little "pam" sound emerges.

Mr Cardoso describes the

plan, unveiled on Monday night, as "the start of a new attitude". The plano verdade (real plan) consists of a federal government spending cut equivalent to \$6bn and various revenue-raising measures aimed to "put the government's house in order".

The plan was welcomed by business as the first to begin attacking the public deficit, rather than interfering with the private sector. The main São Paulo stock exchange index rose 5.2 per cent by

But there was a general feel-

By Bernard Simon in Toronto

A CANADIAN court has

imposed a C\$2m (£1m) fine on

Chemagro, a Montreal-based

insecticide company owned by

Bayer, the German chemicals

group, for a price-fixing con-

This is the heaviest penalty

ever imposed under Canada's

competition law. It marks the

first conviction under a provi-

sion which prohibits foreign-di-

rected conspiracies designed to lessen competition in Canada.

C\$2m pricing fine

go far enough, and would not bridge this year's \$12hn budget deficit or reduce inflation, now above 30 per cent a month.

Mr Igor Cornelsen, director of Chartered West LB in São

sufficient for a lasting cure." The plan, which needs congressional approval, has six main points. Faster privatisation.

 Stricter controls on state banks and auditing of the Banco do Brasil and the

congressional approval). Commitment to reduce

Many economists said they

various chemical and biologi-

cal insecticides used in forests.

Chemagro pleaded guilty to

several charges of colluding

with other suppliers, both

within Canada and abroad, to

fix prices on supplies of these

chemicals sold to provincial governments and the private

Price-fixing was orchestrated outside Canada by Bayer and

Sumitomo Chemicals of Japan.

Sumitomo's case is still before

the attorney-general

Paulo, said: "For the first time, we have a plan aiming at the heart of the inflationary process - the public accounts. However, while the diagnosis is right and the medicine good, it is nowhere near the dosage

 A crackdown on tax eva sion, with offenders to be jailed for the first time. Suspension of transfers to states and municipalities so as to make them start repaying the \$40bn-plus they owe the federal government.

National Savings Bank, with possible job cuts and branch A new cheque tax (awaiting

interest rates.

vatisation, the closure of bankrupt state banks or more autonomy for the central bank. Mr José Luis Miranda, presi-

December over alleged involvement in a kickback scheme said to have made him \$51m (£33.1m).

Brazil's disgraced former President Fernando Collor (above) was interrogated by the Supreme

Court yesterday in the first stage of his trial on corruption charges. He was impeached last

The government has little scope for cuts because the constitution requires that much of its \$240bn budget go to local governments, interest payments and wages. The govern-

He devied any wrongdoing and claimed the money was the remains of his campaign chest for the 1989 elections, along with a \$5m loan of gold from Uruguay. He said he knew nothing about "phantom" bank accounts through which alleged bribes were supposedly paid. measures, such as the time to set the preconditions ment can operate on just announcement of a major pri- for a successful shock". \$14bn, where it is cutting \$6bn. Mr Cardoso's plan is seen as tor curb inflation before elections next year. He says its success now depends on wide



dent of Banco Interatiantico, said: "This plan is just buying Bayer offshoot faces

MR Ramón Velásquez, interim president of Venezuela, has appointed two prominent business figures to his cabinet, reports Joseph Mann from Car-

in Venezuela

Mr Hernán Anzola, central bank president in previous administrations, is planning minister: Mr Gustavo Pérez Mijares is economic development minister. Mr Velásquez has now completed his 19member cabinet. It retains five who worked under Mr Carlos Andrés Pérez, who is suspended from the presidency to face corruption charges.

Cabinet filled | FDA warns Pepsi drinkers about cans

By Nikki Tait in New York

THE US Food and Drug Administration has warned US consumers that they should take precautions before drinking canned Diet Pepsi, after syringes were found in a number of cans in Washington state and Louisiana.

The product-tampering surfaced in the Seattle area, where three incidents were reported this week. Two cans containing syringes were subsequently found in New Orleans. A fur-

ther case, involving a can of Diet Coke, was reported in California yesterday, but there were suspicions this might have been a hoax.

Mr David Ressler, FDA com-

missioner, advised consumers to empty Pepsi into a glass or cup before drinking, while the company set up a hotline to deal with customers' queries. No-one at Pepsi was available to comment on the likely origin or extent of the problem. On Wall Street, Pepsi shares fell \$% to \$35% at lunchtime.

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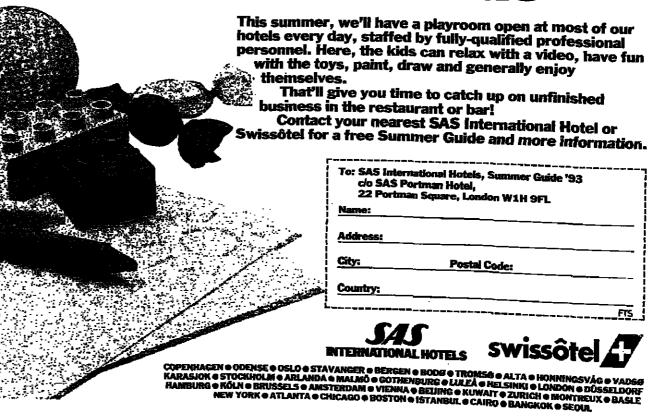
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Crossed lines over telecoms trade-off

Genillard in Bonn

To the best of the

and the top

p aside

GERMANY'S negotiators with the European Community say the affair of their alleged "secret non-aggression pact" with the US over EC trade sanctions is an unnecessary. but embarrassing, storm in a

teacup.
It illustrates how lines of communication within the Community can get tangled over years of complex negotiations. It also shows how dangerous megaphone diplomacy can be in the delicate art of trade negotiations.

There is even an element of sloppy drafting, or possibly mistranslation, thrown in to create further crossed lines between Bonn, Brussels and other member states. There is more than a hint that ministries in Bonn may have failed to talk to each other.

Last week the European Commission demanded an explanation from Bonn for its annarent refusal to implement trade sanctions involving government telecommunications contracts against the US, unanimously agreed by the 12 mem-

ber states on June 8. The trade sanctions are token - affecting about Ecul5m (£11.85m) of contracts but the principle of common action is seen in Brussels as

Mr Günter Rexrodt, German

sanctions as it was covered by an "opt-out clause" written into the June 8 decision. Brussels professed amazement, and

its closest EC ally. The story goes back to Octo-ber 1990, when Article 29 of the EC's Utilities Directive was first agreed, giving a 3 per cent price preference for EC companies when bidding for any government contract.

Germany insisted then a clause be inserted stating this move was "without prejudice to [existing] obligations of the EC and its member states

towards third countries". A Bonn official said: "We stated very clearly at the time that this meant someone who has a treaty with a third country does not need to put this article into effect."

The move already contained the seeds of future conflict: some English translations said the article would apply "notwithstanding" existing obligations, instead of "without prejudice to" them: the German word unbeschadet can mean

The second step came in the wings of the OECD ministerial meeting in Paris, when Mr Rexrodt stopped to chat to Mr Mickey Kantor, the US trade representative. "It was simply an informal conversation in the sunshine before lunch." they say in Bonn. "This was in economics minister, retorted no way negotiations."

a point to make. The US was not implementing its own sanctions against Greece, Spain and Portugal, because they were not implementing Article 29. So why was Washington

imposing sanctions on Bonn? 'Mr Kantor said he didn't know we were not implementing the article. They went away and checked and found it was true," says Bonn. "So Mr Kantor agreed we would also be excluded (from sanctions)." The trouble was, he went straight back to Washington,

The third step came on June 8, when EC foreign ministers agreed without debate to impose EC sanctions on the US on a handful of public procurement contracts, in retaliation for the equally token gesture by Washington to restrict EC ss to about \$19m (£12.3m) of contracts there.

and announced the "deal".

The same clause was inserted in the decision which was in the original Article 29: it was "without prejudice to existing obligations".

"We believed everybody knew what that meant," a Bonn official said yesterday. But the others did not realise that it applied to Germany." Finally, the US asked for the

German agreement in writing, and Bonn has balked at that. It will only give such a statement "in agreement with the Commission". In the current atmosphere, that seems unlikely.

Beijing Jeep is out of the thicket

Tony Walker on one of the first, and therefore 'model', investments in China

Foreign

field" works.

joint venture is set for larger

production runs, fresh models

and possibly a new "green-

This is a long way from a

gloomy period in the mid-1980s when it seemed that American

Motors, the original foreign

partner in the Beijing Jeep

venture, was set to walk out over payment delays and staff-ing disputes: not to mention a

huge cultural and professional

divide between American man-

agers and their Chinese coun-

terparts.
The man who helped save

the AMC venture in 1986 was

Mr Zhu Rongji, then vice min-

ister of the State Economic

Commission. This is the same

reformist Mr Zhu who has now

emerged as senior vice premier

in charge of the economy and

the man tipped as a possible

Chrysler's jeep project in China, is in expansionary mode, as the Americans might say. Having weathered early storms, the Chrysler nvestment

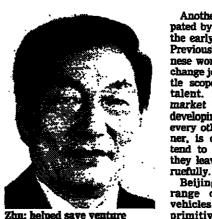
The well documented Beijing Jeep saga*, marked something of a watershed for foreign investors in China in the early phase of the country's economic reform; although many of the problems that bedevilled the AMC project have certainly not been eradicated. Because Beijing Jeep was one of the first joint manufac-

turing ventures in China it achieved "model" status. This is probably what helped save it in the end: desperate to attract foreign investment China could not afford a "model" fail-

Mr Krebs is cagey about profitability, saying merely that Beijing Jeep has been profitable for much of its nine years, and he views the period ahead as promising in a country where demand for vehicles of all sizes and dimensions is growing by leaps and bounds. But problems persist, not least access to foreign

exchange to pay for kits and imported machinery at a time of rapid expansion for the Chrysler-Beijing Auto Works joint venture (BAW is owned by the Beijing municipality). Chrysler, which took over

AMC in 1987, the year after faltering production began in Bei-



ing, is anxious to keep building up its stake in the local joint venture to 50 per cent from the present 43 per cent. AMC with an original investment of \$8m plus technical assistance took an initial 23

per cent share. Management problems have eased, Mr Krebs says, with a good working relationship at senior level. However, Chinese middle managers, used to operating in a strictly hierarchical and authoritarian system, are loath to show initiative lest they be criticised for possible

Another problem, not antici-pated by AMC and Chrysler in the early days, is job mobility. Previously, it was rare for Chinese workers and managers to change jobs since there was little scope for competition for talent. Now, a competitive market for skilled labour is developing and Chrysler, like every other joint venture part-ner, is caught up in it. "We tend to gold-plate people and they leave us," says Mr Krebs

Beijing Jeep produces a range of four-wheel drive vehicles including copies of primitive Russian-designed military vehicles, plus the Jeep Cherokee which is proving a hot seller with supply barely keeping pace with demand. The company is scheduled to produce 37.500 Beijing Jeep 202 models this year, and 22,500 Cherokees compared with 20,000 in 1992

Target production for 1995 is 100,000 vehicles for both models, but, as Mr Krebs observes. the size of the existing plant is placing limitations on growth. He believes that in time Beijing Jeep will be obliged to look at establishing a new facility, possibly in southern China at a cost of up to \$300m.

Sensing an era of greater competition is dawning, Beijing Jeep is, for the first time, devoting resources to advertising. In the first three months of this year it spent more on marketing than it did for the whole of 1992.

The company has a network of about 20 dealerships and deliveries of spare parts are being speeded up. Before, distributors would be obliged to drive to Beijing every two or three months from outlying provinces to pick up supplies. Now parts are being delivered "every week or so" even to remote areas.

Chrysler, which fell into the China market with the AMC takeover, is congratulating itself for having a footbold in what is likely to prove a lucrative, if highly competitive area. With just 7m vehicles spread thinly among China's 1.1bn population, and with more than 92 per cent of the country's roads unpaved, the future for Beijing Jeep would seem to

*Beijing Jeep: The Short Unhappy Romance of American Business in China. By Jim Mann. Simon and Schuster,

be secure, even buoyant.

Kantor cool towards renewal of sanctions law

MR Mickey Kantor, US trade representative, is urging Congress to resurrect the administration's "fast-track" trade negotiating authority without tacking on to the legislation a renewal of Super 301, a provision much despised by the country's trading partners. Super 301 requires the trade

representative to list "unfair" trading countries and negotiate away their trade barriers. It was used sparingly in 1989 and 1990 - against Japan, Brazil and India - and then it expired.

The deadlines imposed by Super 301 requiring action, or

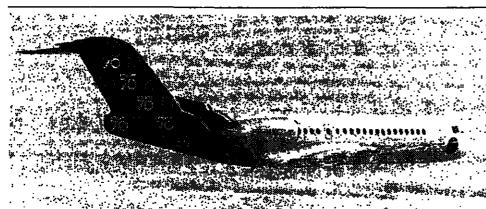
a waiver of action on grounds of national interest, can reduce flexibility for trade officials. They have said that the imposition of sanctions during key negotiations such as the Uruguay Round could be highly damaging.

President Bill Clinton strongly endorsed a renewal of Super 301 during the election

campaign last year, and Mr Kantor has not retreated from that position. However, his endorsement at a hearing on Monday was unenthusiastic.

Although promising to work with Congress on Super 301 at another time, he was quick to imply that the administration was moving aggressively without its help.

Senator Max Baucus, chairman of the Senate international trade sub-committee and a strong supporter of Super 301, told Mr Kantor be wished the representative would "more strongly embrace" the provision. Would it not give him "additional negotiating leverage" in the Uruguay Round?



Rolls-Royce Tay engines power the new, 79-seat Fokker 70 airliner

Fokker launches regional jet with orders won

FOKKER, the Dutch aircraft manufacturer 51 per cent owned by Deutsche Aerospace, yesterday launched the production programme for its new Fokker 70 regional jet, having won \$400m (£262m) of orders from indonesia for the new 79-

seat airliner. The launch orders from the Indonesian carriers Sempati Air and Pelita Air Services, involving up to 20 aircraft, will also provide £70m of business for Rolls-Royce, the UK aero-engine group whose Tay 620 engines power the new Fokker twin-jet airliner.

The Fokker 70, which made its maiden flight in April, is a smaller derivative of the Fokker 100, also powered by Rolls-Royce Tays. The fuselage and tail section of the aircraft are produced by Deutsche Aerospace, the wings by Short Brothers of Belfast.

The new Fokker aircraft will intensify competition in the regional jet market, which has been badly hit by the financial troubles of smaller airlines but is now expected to recover

strongly by 1998-2000. It will compete directly against Avro International, the recently established regional jet joint-venture company of British Aerospace and Taiwan The BAe-Taiwan venture,

also unveiled at the Paris Air Show, plans to develop a lighter version of its RJ70 regional jet, to make it more competitive with the new Fokker 70. Rolls-Royce, whose engines have traditionally powered Fokker jets, is now also trying to break into the Avro RJ market by negotiating with Taiwan Aerospace its participation in the BR700 regional jet engine programme with its German

partner BMW. In the large end of the commercial engine market,

at the air show its risk-sharing partners on the £400m development programme of its highthrust Trent engine. Lucas, UK aerospace and car components group, is taking a 3.5 per cent

share in the Trent programme. Bernard Simon reports from Toronto: Air Canada and McDonnell Douglas are to study the feasibility of modernising the Canadian carrier's ageing fleet of DC-9 jets as an alternative to replacing them

with new aircraft. Air Canada operates 35 DC-9s, and predicts that the modernisation would add 15 years to their life. The work would include new engines and avionics, and extensive re-wiring. McDonnell Douglas would provide new warranties

The two companies said yesterday that they might open the programme to other airlines wanting to extend the lives of their DC-9s.

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UK cabinet group to discuss HK policy

in Hong Kong

MR John Major, Britain's prime minister, has called a meeting of his cabinet's Hong Kong committee for July 1 amid signs that the British government is losing patience with China over talks about the colony's political develop-

Mr Chris Patten, Hong Kong's governor, will fly to London at the end of the month for the meeting, which officials say is likely to prove significant in determining the British government's policy towards Sino-British talks. According to one official:
"What ministers want to know is: Are these talks a total waste

Mr Patten's assessment is

the talks. The first four rounds of negotiations produced no significant developments and in the session which ends today little progress appears to have been made.

A Foreign Office official said yesterday that by the time the cabinet sub-committee meeting was held a sixth round of talks might have taken place and "by then we should have an idea of where they are going or not". The objective the cabinet committee agreed to at its meeting in April was for Sino-British talks to be concluded by the end of July. "This time-table either has to be reinforced or shifted," the offi-

being made by a process of Next month's meeting will

cial said. "The committee is

unlikely to approve of policy

bring together Mr Major, Mr Douglas Hurd, foreign secretary, Mr Malcolm Rifkind, defence secretary, and Mr Michael Heseltine, trade and industry secretary.

It comes at a time of increas ing restiveness among Hong Kong pro-democracy groups who feel that Mr Patten is backtracking on his commitment to broaden democracy before Britain returns sovereignty to China

The committee, which last met at easter when Mr Patten was in London, is however likely to approve the continua-tion of talks until the autumn and then decide whether to continue or pull out and present Mr Patten's legislative programme to the Legislative Council, Hong Kong's law-

Bankruptcy rate falls in Japan

THE FIRST fall in Japanese corporate bankruptcies for almost three years yesterday added weight to claims that the Japanese economy is nearing the bottom of its two-year downturn.

Corporate bankruptcies in May fell by 3.9 per cent from the same month last year to 1,113, according to a monthly report by the Teikoku Data Bank, a private research group. The report said the lecline in the bankruptcy rate, the first for 32 months, was a tentative indicator of a moder-

If May's decline in bankruptcies does mark the bottom of the recession it means Japanese business will have escaped with far fewer failures than during the mid-1980s. During the weak economic

patch of the mid-1980s caused by the yen's sudden appreciation against the dollar, the business failure rate rose to about 20,000 a year. During this downturn the failure rate has not risen above 14,000 a year. The Teikoku report will fuel the debate within Japan about whether the recession is bot-

toming out. The government's Economic Planning Agency

omy had hit the bottom, a bankruptcies caused by the claim which the industry Ministry has fiercely disputed and the Bank of Japan failed to support in its quarterly eco-nomic survey published last

However, the fall in the overall rate of bankruptcies masks important changes in the causes of business failures. The number of bankruptcies caused by the recession rose by 33 per cent to to 676, while bankruptcies caused by finan-cial factors linked to the collapse of the bubble economy fell markedly.

first appearance since 1987 of yen's appreciation against the dollar, which is hitting Japanese exporters. There were three bankruptcies in May caused by the yen's rise.

The recession is increasingly claiming larger companies, such as Hanix Kogyo, the construction equipment maker which failed recently. The combined liabilities of bankrupt companies rose by 15.7 per cent in May to Y661.2bn (£4.1bn) compared with the same month last year. The average debts of bankrupt companies were Y594m, about 21 per cent up on the previous year.

published yesterday supported the Bank of Japan's caution about the economy as long as private consumption and corporate investment remains subdued. Sales at Tokyo department stores were 9.3 per cent down in May compared with the same month last year, the 15th consecutive monthly

Private sector machinery orders in April fell 26.8 per cent from the previous month to Y786.9bn, a fall of 18.5 per cent from April last year. This brings to an end a brief revival in machinery orders in the early months of the year.

seen as pivotal in shaping the Cambodian secessionist leader seeks refuge

By Victor Mallet in Phnom Penh

PRINCE Norodom Chakrapong, leader of a fiveday-old Cambodian secessionist movement, took refuge in Vietnam vesterday in a move which apparently heralds the in the east of the country, United Nations officials said.

A UN military observer saw the prince and his followers drive over the border in Svay Rieng province in a convoy of 20 vehicles and hand their weapons to Vietnamese border guards. Prince Chakrapong, a deputy prime minister in the communist government installed by Vietnam in 1979, had announced the secession in protest at the outcome of the UN-organised election last

The ruling Cambodian People's party won only 51 of the 120 seats in a new constituent assembly, compared with 58

Bill Clinton and President

Hafez al-Assad of Syria have

exchanged letters, presumably

on the future status of the

Golan Heights.
A senior US official return-

ing from Europe with Mr War-

ren Christopher, the secretary

of state, was quoted as saying

that the exchanges were "very

substantive," but declined to

They may cover possible US

guarantees that the Golan

Heights, if returned to Syria,

attacks on Israel, as well as

how much territory Israel

might be persuaded to give up.

furnish details.

Peace talks hear of

taken by the royalist opposi-tion party Funcinpec led by Prince Ranariddh, Prince Chakrapong's estranged halfbrother. The CPP said it was the victim of "massive irregularities" in the polling, but UN and international observers certified the election as free

Prince Chakrapong's attempt to defy the UN and fragment the country further (the Khmer Rouge runs its own zone on the Thai border) was undermined by the evident lack of public support.

UN officials, foreign diplomats and Cambodians yesterday welcomed the retreat of Prince Chakrapong, who has long been regarded as one of the most unsavoury members of the corrupt communist administration.

Their optimism was tempered, however, by the know-ledge that the CPP leadership in Phnom Penh initially

the breakdown of the peace

His Israeli counterpart,

ambassador Mr Itamar Rabi-

novich, said Israel had told

Syria it accepted "the element of withdrawal" as part of the

peacemaking process but would not address "the extent

of the withdrawal until certain

the US and other delegations have been frequent. Mr Chris-

topher conferred in Vienna.

where he addressed the UN

human rights conference, with

the Syrian, Egyptian and

Israeli foreign ministers.

Bilateral contacts between

questions are answered".

stance and is still challenging the results of the election. Hundreds of terrorised Funcinto have fled to Phnom Penh

from the east. Members of the new assembly, convened on Monday, are supposed to write a constitution and form a new government within three months.

Mr Hun Sen, the prime min-ister, is now dissociating him-self from the secessionists and was credited on Monday with persuading his brother Mr Hun Neng, governor of the populous province of Kompong Cham, to bring it back under central ment control.

Mr Uch Kiman, a govern-ment spokesman, said yesterday that four of the seven provinces in the "autonomous zone" were not even aware that they had been included. Prince Ranariddh portrayed the issue as a political dispute rather than an argument between princes.

Abiola claims

Nigerian win

Technical factors cut trade surplus

JAPAN'S customs-cleared trade surplus dipped slightly in May largely as a result of temporary technical factors, according to figures released by the Finance Ministry.

Nevertheless, the 0.1 per cent fall in the surplus in May, to \$7.7bn (£5bn). will be welcomed by the Japanese government as evidence that the surplus is reaching its peak after growing for almost two and a half years.

The fall may help to defuse tensions between the Japanese and US governments during talks in the next few weeks about measures to reduce the surplus. The talks are due to come to a head before the Tokyo summit of Group of Seven leading industrialised

However, news of the decline did littie to stem the continued rise of the yen. against the dollar, in Tokyo trading the dollar closed at Y105.03, down from its Monday close of Y105.20, after it had briefly touched a new low of Y104.83 in

The yen's strength hit the Tokyo stock market Nikkei index which fell by 351.47, or about 1.7 per cent, to 20,045.88. The market's fall was a reflection of the damage a higher yeo may do to the profits of Japanese exporters.

The yen's continued strength, com-

to the critical 20,000 mark, will increase pressure on the Bank of Japan to cut

Mr Yasushi Mieno, Bank of Japan governor, on Monday ruled out an sterest rate cut to prevent the yen rising. However, the central bank announced yesterday it would hold a meeting of its regional branch managers on July 5 and 6. These meetings have paved the way for a cut in the

discount rate in the past.

Mr Tadashi Okuda, chairman of the Federation of Bankers' Associations, called on the monetary authorities to make "timely and flexible" responses to the yen's surge after warning that the

of an economic recovery. The drop in Japan's merchandise trade surplus was because of a faster growth of imports. Exports in May rose 5.6 per cent from the same month last year to \$26.85bn, while imports rose 8.2

per cent to \$19.12bn. Japan's trade surplus with the US fell by 2.1 per cent from the year before to \$2.77bn.

Finance Ministry officials said the fall was because of fewer working days in May compared with the same month last year, as well as longer vacations taken during the "golden week" holi-days. These cuts helped to reduce

Gen Aldeed clenches his fists as he speaks to the press at his Mogadishu headquarters on Monday about UN raids on his arms dumps

Clinton-Assad letters NÍGERIANS waited anxiously yesterday for official confirma-Mr Muwaffiq al-Allaf, insisted THE TENTH round of the yesterday that Israel must surcountry's presidential election, Middle East peace talks began render all the Golan Heights, Reuter reports from Lagos. The in Washington yesterday with the disclosure that President selzed in the 1967 war, or National Electoral Commission said it was carefully accept responsibility for

urday's poll. Leading newspapers were in no doubt, reflecting victory claims by Mr Abiola and his Social Democratic party. "Abi-ola surges ahead," said the Daily Times, Nigeria's biggestselling newspaper. However, his opponent, Mr

checking results from Nigeria's 30 states before

announcing the winner of Sat-

Bashir Tofa Tofa and his National Republican Convention yesterday called for the results of the poll to be cancelled because it had been "massively rigged", according to state radio.

Somali leader may stand trial, says UN By Michael Littlejohns, UN Correspondent, in New York

GENERAL Mohammed Farah Aideed, the Somali warlord accused of directing an ambush that led to the deaths of 23 Pakistani United Nations soldiers, will be arrested and brought to trial if an official inquiry confirms the allegations, the UN said yesterday.

Mr Kofi Annan, under-secre-

tary general for UN peacekeeping operations, told reporters: Whoever is found responsible will be apprehended, whether general or foot soldier."

The investigation ordered by the UN Security Council following the June 5 incident was continuing and if Gen Aideed were held responsible, an attempt would be made "to bring him in". At a press conference called

trol" when Somali demonstrabarricade.

tors tried to tear down a UN • The Italian government said vesterday it had received

to explain the bloody incident

last weekend in which many

Somali civilians were killed by

Pakistani troops, Mr Annan said that non-lethal riot control

methods had been considered.

The situation "got out of con-

assurances that tighter con-

trols would be placed on the Pakistani peacekeepers in Somalia, Reuter adds.

Mr Fablo Fabbri, defence minister, who was in Mogadishu yesterday, "has received precise assurances on the use of Pakistani forces in a role and with equipment more in keeping with the demands of the situation," Mr Beniamino Andreatta, foreign minister, told parliament.

Call for Banda to step aside

MALAWI opposition groups yesterday claimed victory in a referendum over the one-party rule of President-forlife Kamuzu Banda and demanded he step aside for a coalition government of national unity, Reuter reports from Blantyre.

Unofficial counts by the United Democratic Front (UDF) which it said were based on returns by more than half the registered voters, gave between 73 and 86 per cent of the poll to those campaigning for western-style dem-

in a speech to hundreds of cheering, singing supporters at his headquarters in Blantyre Mr Bakili Muluzito, UDF leader, formally claimed victory in mid-afternoon.

But independent analysts remained to be counted, particularly in conservative, remote rural areas ripe for intimidation. They pointed to sweeping successes by Mr Banda in the central region, where his ruling Malawi Congress party appeared to be taking 70 per cent of votes. The opposition seemed to be registering landslides in the south, the most populous area, and the north. Mr Chakufwa Chihana, new-

ly-freed trade unionist leader of the Alliance for Democracy (Aford), which teamed with the UDF to fight Mr Banda, told reporters in the capital Lilongwe that Mr Banda should resign and become the figure-head of a transitional government to prepare for multi-party elections. "We will give him a smooth exit," he said.

Poppies bloom amid Pakistan's economy and politics

Narcotics make for a black economy half that of the official one, writes Stefan Wagstyl from the Khyber Pass

HEN drug dealers operat-ing in the Khyber Pass felt threatened by a Pakistani government road-building scheme earlier this year, they attacked the construction crews with machine-guns, mortars and a heat-seeking missile. Nine men were killed in the raids which were meant to prevent the

government from bringing an allweather road to the remote Tirah Valley, the home of poppy fields and scores of heroin laboratories. Officials have stopped the building work while they try to persuade local village chiefs to guarantee the workmen safe passa;

The tribesmen of the Khyber Pass have never taken kindly to outsiders on their territory, as the British colonial rulers discovered a century ago. But today the weaponry at their disposal enables them to project their power beyond the mountains lying on the Pakistan-Afghanistan border.

While the poppies are mostly grown on the Afghan side of the border, the profits accrue to dealers who are mainly Pakistanis. Their fortress-like homes dot the road along the Khyber Pass. Outside there are watchtowers; inside, opulent houses decked in marble.

The dealers' influence reaches into Afghanistan through the guerrilla commanders who need drugs money for buying arms and ammunition. It also penetrates far into Pakistan, distorting the country's economy and politics.

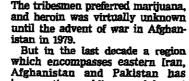
The shock of violent incidents



such as the Tirah road attacks, the swelling population of drug addicts in Pakistan and strong pressure from the US and other developed countries is at last forcing some officials to admit to the scale of the drug lords' influence.

At a recent UN-sponsored drug abuse conference in Islamabad delegates from Pakistan concluded: The massive inflows of money financed by drugs have given birth to a new political situation in Pakistan.... The profits generated from illicit narcotics activity have contributed to a huge black economy, baif the size of the official

Poppies have been grown in Afghanistan for centuries, but never in the past on a large scale.



become the world's second largest producer of illegal opium with an estimated 1,115 tonnes last year, mostly in Afghanistan, according to US government figures. This is well short of the 2,500 tonnes produced in south-east Asia, including Bur-ma's Golden Triangle. But southeast Asian output is falling, albeit slightly: Afghan farmers are rapidly increasing their production. This year's crop is estimated to be 20 to 50 per cent higher than 1992's.

The initial stimulus for increasing output came from a crackdown on opium-growing in Middle Eastern countries, including Turkey and Iran. The war in Afghanistan then prompted anti-Soviet mujahideen guerrillas to raise production and to invest in heroin laboratories to increase their revenues to buy arms. The fight against communism was seen as so important that officials in Pakistan, from where many mujahideen were supplied, turned a blind eye to the proliferation of her-

Despite the Soviet withdrawal, the mujahideen groups still need money because they are now fighting each other. Elsewhere in the country, peace has permitted farmers to go back into their war-rav-

Mr Habimullah Khan, a farmer in



Poppy growers in eastern Afghanistan: a centuries-old practice now feeds into a sophisticated network

eastern Afghanistan, says villagers have no choice about growing poppies since they bring ten times as much money as other crops. "This year we planted more poppies than before. Next year we will plant even more," he says.

Moreover, the collapse of the Soviet Union has eased the drug smuggiers' transport problem. The traditional route has been south through Pakistan to the port city of

by boat to the rest of the world. But the borders of the former Soviet republics in central Asia have opened up to trade - so trucks laden with legitimate goods such as dried fruit are being used to smuggle heroin into Russia and from Russia into western Europe.

Dealers in the tribal areas lying on the border with Afghanistan dominate the trade. Under agreements dating back to Pakistan's birth as an independent state in

1947, the government's writ does not run in the tribal areas. Instead, they are administered by tribal chiefs, who choose which laws, if any, they will apply.

Plentiful handouts from the drug

dealers ensure that anti-narcotics laws are enforced weakly, if at all. Mr Altaf Gauhar, editor of the Mus-lim, a leading Pakistani newspaper, alleges that almost all the politicians representing the tribal areas in the national assembly in

A frequent target of such accusations is Mr Haji Ayub Afridi, a former truck driver turned millionaire businessman and politician who owns the largest of the forts on the Khyber Pass. Mr Afridi's house was raided two years ago in the course of a drugs investigation. But neither then nor later was any evidence found linking him to narcotics smuggling. He denies any involvement in the trade. A study commissioned by the US Central Intelligence Agency this

Islamabad are drug smugglers.

year found that heroin trading had penetrated "the highest political circles" in Islamabad and named as a suspected drug smuggler Mr Sohall Zia Butt, a brother-in-law of the prime minister, Mr Nawaz Sharif.

Alleged dealers are also active at the top of the business community in Karachi. There are many suspected top drug dealers in investigators' files but officials cannot act for lack of firm evidence. Western antidrugs experts retort that evidence is lacking because of the drug lords' political protection. "They are allowed to work behind screens," Said one.

Mr Ralph Seccombe, Pakistan field adviser for the United Nations drug control programme, says the whole country is already paying the price for permitting drug dealers to flourish. "Pakistan has over 1m addicts. That's 6m people who are affected if you include their families. But it's 100m who are suffering from the political and economic

Fresh effort to restart Bosnia talks

By Frances Williams in Geneva and Laura Silber in Belgrade

INTERNATIONAL mediators for former Yugoslavia meet leaders of the warring parties today in Geneva in an increasingly desperate search for workable political solutions that will end the violence in

Lord Owen, for the European Community, and Mr Thorvald Stoltenberg, for the United Nations, said yesterday they expected the meetings to pave the way for a reconvened international conference on ex-Yugoslavia, probably in Geneva, which would bring together the participants in last August's high-level Lon-

don conference. President Slobodan Milosevic of Serbia, Croatian President Franio Tudiman, President Momir Bulatovic of Montenegro and Mr Alija Izetbegovic, the Bosnian president, will meet together with the mediators. Mr Izetbegovic has so far refused a joint meeting with Mr Radovan Karadzic, the Bosnian Serb leader, and Mr Mate Boban, leader of the Bosnian

Lord Owen said yesterday that there was no alternative to the Vance-Owen peace plan for Bosnia on the table, though it was clear there would have to be "adjustments". "An overall cessation of hostilities will only come in the context of an overall (political) bargain," he

Today's encounters will also discuss the potentially explosive situation in Serb-held Croatia. Relations between throughout the region," Lord

Owen told reporters.
In Sarajevo, the military commanders of the three warring communities agreed on a ceasefire, to take effect today, as fighting intensified throughout the republic.

Previous agreements, however, have collapsed almost immediately and there was little optimism that the latest one

Even as the three military chiefs met at Butmir airport, fresh clashes were reported on

most battle fronts. Sarajevo radio said at least eight people were killed in Gorazde, a besieged UN-safe area

in south-eastern Bosnia. Serb forces have been on the offensive for three weeks near the town, which is the last Moslem stronghold in the region. Bosnian Serb forces are reportedly poised to seize it, flagrantly violating its UN-

protected status. The military summit took place after Mr Boutros Boutros Ghali, the UN secretary general, recommended the deployment of at least another 7.500 troops to Bosnia.

But western diplomats yes-terday worried that the additional forces and heavy equipment would not lend enough muscle to the 9,000 troops already on the ground in Bosnia.

Some 9,000 peacekeepers assigned to protect UN relief convoys have failed to stem the bloodshed and have been constantly undermined by Serb and Croat forces seeking to block the passage of emer-

Russia criticises military mandate

RUSSIA is willing to send troops to protect Moslem enclaves in Bosnia provided there is a clear framework and mandate from the United Nations security council, Mr Andrei Kozyrev, the Russian foreign minister, reiterated yesterday in Vienna.

Russian troops, however, would not be sent to "besieged fortresses under fire". Mr Kozyrev suggested a new UN Security Council resolution would be needed to define objectives clearly.

In a separate statement made at the UN World Confernce on Human Rights taking place in the Austrian capital Mr Kozyrev also warned of the growing dangers of nationalism and of adopting a selective



ORLD CONFERENC ON HUMAN RIGHTS

Kozyrev: promised troops

approach to human rights. "We cannot accept references to the non-interference principle . . . when violations of individual rights and freedom are involved," he said.

He warned that policies of ethnic cleansing, as had hap-pened in the former Yugo-slavia, posed a threat to democracy worldwide. He said the lack of attention to the rights of national

minorities "risks damaging the Baltic region and turning Europe into a zone of ... lower In a day dominated by devel-

opments in eastern and southeastern Europe, conference delegates also heard a call for UN action in the Yugoslav

Mr Sali Berisha, president of Albania, called for the UN to place Kosovo under UN control and declare it a neutral zone. He warned of the growing dangers of war stemming from Šerbian actions in Kosovo, whose population is 95 per cent ethnic Albanian. He called for further tightening of

sanctions against Serbia. The conference unanimou endorsed an appeal by Mr Haris Silajdzic, the Bosnian foreign minister, for immediate action by the UN to end atrocities in Bosnia.

In an emotional statement that galvanised delegates, Mr Silajdzic criticised the lack of adequate international reaction in the face of increasing atrocities in Bosnia. He called on the conference "to stop the genocide in at least one town". He was referring to the Moslem enclave of Gorazde, which has been declared a "safe area" by the UN but which is besieged by Serb forces.

Azeris recall Brezhnev era leader

By Stave LeVine in Baku,

AZERBALJAN'S Brezhnev era KGB and communist party chief, Mr Heidar Aliyev, made a remarkable political comeback yesterday, winning elec-tion as chairman of the former Soviet republic's parliament. The election makes Mr Aliyev, 70, nominally the second most powerful leader to Azer-

But diplomats and other foreign observers in Baku, the capital, believe that the wily Mr Aliyev has carved himself out a significant chunk of Mr

baijan President Abulfaz

elections are likely. Given the present despondent political mood, Mr Aliyev probably would be Azerbaijan's strongest presidential candidate.

The political and economic

deterioration was demon-

yesterday announced that Mr Elchibey had postponed complete introduction of Azerbaijan's new currency, the manat. The government, which began circulating the manat on June 2, had announced that the rouble would be invalidated on June 15, but the move now has been delayed at least until July 1. "We need to wait

until the situation stabilises. As soon as that happens, the reforms will take place," said Mr Elman Rustamov, deputy chairman of the ministry of foreign economic activity. On Monday the US embassy

strated when Baku newspapers nationals leave the country. and many foreign business men, including oil company employees, have departed on flights to Istanbul and Moscow. It was not clear whether Azerbaijan's political upheaval was over. Mr Aliyev's comeback was forewarned a week ago, when rebel troops seized

Elchibey's resignation. Though the troops, led by a charismatic businessman, Mr Surat Huseynov, have voiced their support for Mr Alivev, they now have taken control of up to half the Caspian Sea nation, recommended that American and are within 70 miles of

ity has steadily waned since he came to power about a year ago, has threatened to use force to defend his govern-ment. But it is unclear how much loyalty he still enjoys in the military, or among the Azeri population of 7m. The key factor in Mr Elchi-Azerbaijan's second city,

improvements and a string of military defeats in the war in the enclave of Nagorno-Karabakh. On Monday night ethnic Armenians from Nagorno-Karabakh finally agreed to a brokered settlement. But at the same time Mr Elchibey, whose popularethnic Armenian troops appeared to be encircling yet another important city in the

bakh.

The continued fighting was bound to put new pressure on Mr Elchibey, and give Mr Aliyev a stronger hand ultimately to topple him.

region, Agdam, which actually

lies outside Nagorno-Kara-

Russian constitutional talks given new deadline adopts Yeltsin

PRESIDENT Boris Yeltsin's constitutional convention will adjourn today for a 10-day break during which experts are likely to try to come up with either a compromise draft constitution or temporary rules for

President Yeltsin had earlier set the convention a June 16 deadline to finalise a draft constitution.

However, Mr Vladimir Shumeiko, first deputy prime minister, announcing yesterday that the convention would resume on June 26, said that the top priority of the presidential camp was early parliamentary elections.

For this purpose, an electoral bloc was being formed with the aim of uniting all the country's pro-reformist forces to win as many seats as possible in a new parliament. Founders of

closest colleagues and leaders of the radical democrat movement, and will be led by the Russian president himself.
The president is also expec-

ted soon to order the creation of a conciliatory commission to work on the presidential and parliamentary drafts for a new constitution between now and next week.

Meanwhile, a number of influential delegates at the convention yesterday began circulating a plan for a new constitution to be adopted by a newly-elected parliament, instead of the existing Congress of People's Deputies The plan includes rules for

early parliamentary elections and a temporary division of powers between president and parliament. This temporary move would

be until a new parliament adopts a new constitution set-

the bloc include Mr Yeltsin's ting out all these provisions "An election campaign is already under way in Russia, Mr Gennady Burbulis, a close ally of Mr Yeltsin, told reporters at the Kremlin yesterday.

Gyanja, and demanded Mr

While recognising that the existing parliament is unlikely to adopt a new constitution, the plan for new elections would also have to be approved by the Congress of People's Deputies in order to be constitutional.

The Congress is unlikely to agree to its own dissolution however, leaving the president with the choice of violating the existing constitution unless he can get deputies to change their mind.

A group of 315 deputies is already trying to gain signa-tures of another 30 deputies so it can threaten to resign and deprive Congress of a quorum unless it agrees to vote itself out of office.

Ukraine's leader tactic in struggle

By Chrystia Freeland in Kiev

bey's loss of popularity have

THE Ukrainian president, Mr Leonid Kravchuk, yesterday called for a referendum on Ukraine's constitutional structure and early parliamentary elections.

Mr Kravchuk's proposal, which was immediately rejected by parliament but is scheduled to be put to the vote again today, is in part a reaction to the political demands of striking coal miners in the Donbass region of eastern

Like Russia's president, Mr Boris Yeltsin, who was strengthened by Russia's April referendum, Mr Kravchuk is playing for high stakes. He said he would interpret a no vote in the proposed ballot, to be held sometime this year, as a public expression of no confidence and would step down.

However, like Mr Yeltsin, the unpopular Ukrainian leader is gambling on receiving a public endorsement which would strengthen his hand in the bitter struggle between the various branches of government in

Mr Kravchuk's nemesis, Mr Leonid Kuchma, the prime minister, also raised the stakes yesterday, suggesting that he will seek emergency powers over the economy even greater than those he asked for - and was refused - in May.

Mr Kuchma said that the Ukrainian economy would collapse unless one branch of government is given nearly absolute control.



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UN called on to revise its rules on peacekeeping THE United Nations must peacekeeping as a panacea for work out new rules for peaceall the world's conflicts. keeping in crises like the for-"The expectations are exag

mer Yugoslavia and Somalia, the Stockholm International Peace Research Institute (Sipri) said yesterday, Reuter

reports from Stockholm. The collapse of totalitarian communism has led to civil wars which the world body is powerless to stop at present, Sipri experts said at a news conference to launch its 1993

year book. Authors of the year book, considered the standard reference work on world arms and disarmament, commented that in 1992 the UN moved towards a policy of imposing or promoting peace rather than maintaining the status quo. "The problem with Yugoslavia is that there is no peace to be kept, and enforcement activity cannot come about because there is no outside, agreed policy," said spokeswoman, Ms

Regina Cowen-Kemp. Sipri said the number of military personnel involved in peacekeeping had soared last year to more than 62,000 from about 15,000 in 1991 but warned against a tendency to see in Paris this year.

World military spending fell by 15 per cent in 1992 but civil wars flared in 29 different places, according to Sipri. It gave no overall figures, but officials said industrialised countries spent about \$540bn (£350.6bn) in 1992, about 65 per

brought neither well-being nor rule of law in former Yugoslavia and the Soviet Union.

On a positive note, Mr Rotfeld mentioned the 1992 Start II treaty in which the United States and Russia agreed to limit their strategic nuclear forces, and the chemical weapons treaty opened for signature

gerated. Peacekeeping should be used only in the last resort. Preventive diplomacy and crisis management are more

important," said Mr Adam Daniel Rotfeld, Sipri director.

cent of the world total.

Mr Rotfeld said the collapse of totalitarian regimes in eastern Europe and the former Soviet Union had raised, then dashed, hopes of an improve-ment. He said that 1992 had respect for democracy and the

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Dealers set for Germany to cut rates

on the day, at DM1.6375, while

sterling gained 1.25 pfennigs to

In Paris yesterday, Mr Hel-

mut Schlesinger, Bundesbank

president, congratulated

France on having lower inter-

est rates than Germany, due

its better inflation

He told the Senate that France had relative "economic and monetary stability, while

in Germany we cannot boast about the same stability in

Rundesbank is still concerned

about Germany's inflation rate,

which is a couple of points

But Mr. Schlesinger said the

Bundesbank had at least "kept

the D-Mark stable for 40 years

and intends to go on doing

He quashed any speculation that the German and French

central banks might establish

a close bilateral link. An inde-

pendent Bank of France has

been approved by the National Assembly, and action by the

Lengthy and close co-opera-

tion between the French and German central banks had

taken on a "particular dimen-

sion" during the franc crisis, but this needed no further reinforcement beyond the links that bound all EC

central banks, Mr Schlesinger

rices" - an indication that the

and David Buchan In Paris

FOREIGN exchange dealers believe the Bundesbank may cut short-term interest rates at its council meeting tomorrow after one of the central bank's leading members said German money supply might have fallen within acceptable targets

Mr Johann Wilhelm Gaddum, Bundesbank directorate member responsible for credit market operations, said yester day the country's M3 money supply growth may have moved within the Bundesbank's stated target range of 4.5-6.5 per cent on an annualised basis.

In the first four months of this year M3 money supply overshot the Bundesbank's target, expanding at a seasonally adjusted and annualised 7.0 per

However, in an interview with the AP Dow Jones news agency Mr Gaddum said "money supply developments could indeed move back within the corridor, in line with the economic cooling-

Dealers speculated that slower money supply growth could give the Bundesbank its first opportunity in more than a month to cut rates at its

The news helped the dollar close up more than a pfennig

Romanian IMF deal delayed by budget

By Virginie Marsh In Bucharest

ROMANIA will have to amend its 1993-1994 budget and make further spending cuts before a new stand-by arrangement with the International Monetary Fund can be signed, Mr Misu Negritoiu, deputy prime minister, said in an interview

The delay in signing a new IMF agreement to replace the previous one, which expired in March, is holding up some 33bn in foreign credits.

Mr Negritoiu, who has responsibility for economic reform, said the IMF put the 1993 budget deficit at 5 to 6 per cent of GDP, rather than the 4 per cent projected in the budget approved in April.

He said that if parliament accepted the amendment before the summer recess, a new agreement could be nego-tiated by July. A nationwide train drivers

strike severely disrupted services for the second day run-SNCFR, the railway administration, declared the strike illegal and pledged to take action

against union leaders. Under Romanian regulations, one-third of services must be maintained even during a general The train drivers' union

called its 32,000 members out on strike on Monday, demanding a 40 per cent pay rise rather than the 16 per cent



paper collectors jammed traffic in parts of Paris yesterday morning in a protest over German imports, which have driven down the prices they obtain from paper manufacturers using recyclable products, Reuter reports. They blocked several main roads with trucks and piles of old paper and cardboard. Paper collection companies say 27,000 jobs in the industry are threatened.

to block rivals' aid

MATRA, the French car and aerospace company, yesterday lost a long court battle against a large state aid package approved by the European Commission for a rival joint venture created by Ford and Volkswagen, Reuter reports from Luxembourg.

The European Court rejected its appeal against Brussels' decision in mid-1991 to allow the Portuguese government to give Ecu547m (\$658m) to the Ford/VW venture in Setubal.

The court said the Commission had done all that was required of it in investigating the case under EC rules on state aid. About three-quarters of the aid is money which Portugal received from Brussels in EC development funds.

VW and Ford are teaming up to build luxury, familyoriented vans that will rival Matra's Renault Espace model.

Matra fails | SPD leaders ready to support Telekom sale

THE LEADERSHIP Germany's opposition Social Democrats intends to support a government plan to privatise Deutsche Telekom, the stateowned telecommunications monopoly, and circumvent opponents within their own party ranks.

Mr Hans Bernrath, leader of the party's team which negotiated the privatisation plan with the government two weeks ago, said SPD members of parliament would not vote on the plan, but would simply be canvassed on the issue. SPD politicians favouring the

privatisation fear that a formal vote could result in the parliamentary party rejecting the plan by a narrow majority. The planned informal poll will enable the government to

start drafting the bill, which it

intends to put before parliament by October. The decision follows intense

negotiations among SPD parliamentarians over a privatisation agreement signed between representatives of the SPD and the government on May 28, after a year of difficult negotiations. The government needs opposition support in order to change the constitution to pave the way for privatisation. The plan is to create a state holding company under which three independent joint stock companies would operate: Deutsche Telekom, the telecoms monopoly, the Post Office and the Postal Bank. This structure was devised to win the SPD team's approval.

However, it has yet to gain support among many SPD parliamentarians, some of whom fiercely oppose the outright privatisation of Deutsche TeleAs with other privatisation projects in Germany, the future of Deutsche Telekom now depends on the ability of the SPD parliamentarians to overcome their internal divisions. A large number of them oppose privatising Deutsche Telekom on the grounds that a

private company would no lon-

kom and of the postal services.

ger fulfil its obligations towards poorer and less populated regions. They are also representing the views of the post and telecoms union which fears losing members. The telecoms ministry, for

Its part, has offered to keep a 50 per cent-plus-one share stake in Deutsche Telekom, ensuring the state some say over its management. The government also argues that creating a holding company will

California resh tattacked resta taxation 1051112

CALIFORNIA'S system of a unitary tax based on the worldwide income of mal. tinational companies came under criticism from a senior official of the UK's inland Revenue at the Financial Times international tax conference in

London yesterday. Mr Leonard Beighton, dep uty chairman of the Inland Revenue, said California's approach could only have 'arbitrary and bizarre" results His comments follow the threat of retaliatory action against Californian companies with UK operations by the chancellor of the exchequer iast month if the state does not lessen its demands.

He said the Revenue had written to these companies to ess the extent of tax credits of which they would be deprived, but stressed it hoped instead for co-operation. Mr Beighton stressed the

importance of maintaining internationally agreed tax principles, especially the importance of the arm's length principle of taxing companies by the profits made in a country and not on worldwide income. Mr James Mogle, a partner

with US lawyers Sutherland, Asbill & Brennan and former international tax counsel at the US Treasury, told the conference that Congress had not so far taken the British threat seriously. But he warned that any attempt to impose retaliatory action would be seen by over-ride the arrangements negotiated in the current US-UK tax treaty. That could jeopardise other treaties.

Mr David Carr, from the

European Commission's financial institutions and company law directorate, said the EC was pursuing plans to extend proposed tax directives to cover enterprises resident and subject to corporate tax in any member states, with progress expected "before too long".

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Shift in EC funds urged

By Tim Coone in Dublin

PRIORITIES in disbursing EC structural funds in Ireland need to be changed significantly, says a a report published yesterday by the Dublinbased Economic and Social Research Institute (ESRI).

The report, commissioned by the Irish government's Department of Finance, recommends more resources be directed at

training early school-leavers and on EC budget controllers, and the long-term unemployed. It says the emphasis of rural development funds should be shifted from extensive grazing to forestry and industrial policy should give greater emphasis to supporting medium-sized Irish-owned companies than to foreign investment,

The recommendations are likely to have a significant influence on the government,

as the former draws up its spending plans for an estimated I£8bn (\$12bn) that is expected to be available to Ireland in EC structural and cohesion funds between now and the end of the decade.

The report notes that the inflow of EC structural funds to Ireland over the past two years was equivalent to 3.5 per cent of GNP.

Ministers get line on phone plan

ministers today have their first chance for detailed debate on ambitious plans to oven all telephone calls to competition by 1998 - and possibly their last chance to agree a deal on funding for the promotion of advanced television services in

Telecommunications ministers, meeting in Luxembourg, are set to discuss the European Commission's proposed for full liberalisation of telecoms in last month's min-played down the change in

Commission officials say the plan is supported by an influential quartet of Britain, Germany, France and the Netherlands, but several smaller member states may press for a

Meanwhile, advocates of an BC wide-screen and high-defi-nition television (HDTV) strategy are pinning their hopes for a deal on the replacement of the hardline Mr Edward Leigh

as UK minister responsible for

mission, and of the Dutch and French governments, British opposition, spearheaded by Mr Leigh, has helped force changes to the original HDTV strategy. Mr Leigh has been replaced by Mr Patrick McLoughlin, a former junior employment minister, who will have to decide whether to accept compromise plans for Ecu228m (\$278) of EC funding

up to the end of 1996.

last ministers' meeting in May, while insisting that the UK could not sign up to a plan worth more than Reul50m

Officials from Belgium, which will take over the EC presidency in July, have already indicated that if a deal is not struck today, they see little room for improving the British objections. British diplomats have Bigger picture, Page 13

Unification changes the place of women in the new German home "UNIFICATION has not been ment chosen for their loyalty where to cut back." It said east kind to the women of eastern

Germany," says Ms Barbara Pfeiffer. In 1989, demonstrations in her home town of Leipzig spawned the people's revolution which brought down the Berlin Wall. Two years later Ms Pfeiffer lost her job when the chemicals factory where she had worked for 25 years closed down.

Ms Pfeiffer, however, was sufficiently determined – and lucky, she says to find a part-time job with a local construction company. Many women, who have borne the brunt of the surge in unconployment in eastern Germany since unification, have not been as fortunate.

The official April unemployment total of 15.4 per cent bides the extent of the prob-lem. Including those on job creation and training schemes and those who only have part-time jobs, about 30 per cent of the workforce are without full-time work. Two thirds of the unemployed are women.

By contrast, East Germany guaranteed employment to more than 90 per cent of women, who accounted for 49 per cent of the labour force in 1989. "The regime needed us," explains Mrs Pfeiffer. "It wanted to show there was equality under the communist system and it wanted us to work because many had fied before the Wall went up in 1961. We also needed the money, even though we were paid less than men," she adds.

Although the chemical plant where she worked turned out low-grade products, health standards were almost nonexistent, and few employees were motivated by a manage- munes will have to decide

to the communist party, was a job," says Ms Pfeiffer. The state's abundant provi-

sion of child-care made it easy for women to work. Until 1989, 80 per cent of children under three had a crèche place, 95 per cent of pre-school over-threes attended kindergarten, more than 80 per cent of those aged

Judy Dempsey finds that women in the east feel they have paid a high price

six to ten received day-care after school, and 90 per cent of children attended cheap holiday camps.

There are fears that the number of kindergartens will soon be reduced. "Some people complained that the kids would be indoctrinated by the stupid communists," says Ms Gaby Schwartz, a 37-year-old East Berliner. "But the child-care system in western Germany appals me."

in the western states, 2.3m children compete for 600,000 partially subsidised state childcare places. Generally, however, many women employ nannies, or stay at home with the children.

According to the federal ministry of women and youth, there is an overcapacity of kindergartens in eastern Germany. "About 120 places exist for 100 children. The local comGerman women would in future have to pay for child

Such a move would come on top of the scrapping of the for-mer East Germany's generous child benefits. Unemployment and the abolition of those benefits - has slashed the birth rate from 2.5 children per family to 1.3, as low as in western Germany and one of the lowest in Europe. Unification has also

impinged on the former East Germany's liberal abortion laws. "In the old days, women in eastern Germany had one big freedom: abortion on demand. We could not understand why it was illegal for West Germans to have abortions," says Helga Kokoschka, an unemployed 28-year-old mother of two children.

Abortions were a common form of birth control, as in all of eastern Europe. Yet East German women saw abortion on demand not in ethical or moral terms, but as a political issue where women had com-plete freedom of choice. The state never dared interfere. This was our one area of freedom," says Ms Pfeiffer.

Thus the German constitutional court's ruling last month that abortion should remain iliegal and only available under certain conditions has angered many east German women. "The new unified state is imposing its will on us," says Ms Pfeiffer. "Our choice to work and control our own

lives have disappeared." East German women have had difficulties coming to terms with the multiple challenges of unification. Ms Eva Kolinsky, professor of German

studies at Britain's Keele University, who is studying the position of women in Leipzig since 1989, says an entire generation of women have lost out as a result of unification. "Those in mid-career, in their 30s or early 40s, will find it very difficult to reenter the

labour market," she says. Ms Kolinsky is hopeful, however, for the next generation. More women are attending university. They see qualifications as the key to entering the market, when it picks up," she says. "But the price has been high. An entire generation has lost their social status in the new Germany."

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I-I-RATE RATE

JAGUAR DRAMATICALLY RETURN TO LE MANS, THE SCENE OF THEIR PREVIOUS TRIUMPHS, WITH THE FABULOUS NEW XJ220C.

For the first time since their impressive series of victories at Le Mans - the official Jaguar Team is back - and they are sponsored by Unipart!

When Jaguar announced their return to this most famous of endurance races with their new 'super car', the XI220C, it was obvious they would require a backer with the same international reputation for excellence as their world-famous marque. So it was no surprise when laguar chose Unipart to be their main sponsor. Not only will be Mans be a tough testing ground for a number of Unipart products, but the fact that the three XI220Cs will carry the Unipart name further underpins the close business relationship between the two companies; illustrating the total commitment Unipart has to providing the highest level support for its world-beating customer.

This relationship is based on the world-class track record of Unipart Demand Chain Management (DCM) in supplying consistently high levels of service to Jaguar over a number of years - now Jaguar dealers in the UK have come to rely on the Unipart 24-hour parts operation. And it's a fact that over the duration of the race, Unipart DCM will have delivered 20,000 automotive components to Japuar customers world-wide! This level of service provided by DCM has resulted in Jaguar signing a long term agreement with the Unipart Group of Companies to manage its parts operation into the 21st century. And, as you would expect from the manufacturers of Britain's fastest car, they also have Britain's fastest

parts delivery service - Unipart, the parts supplier

the Big Cats prefer.



black in first four months

By Hugh Carnegy in Stockholm

ENSO-GUTZEIT, the Finnish pulp and paper group which announced a large investment in eastern Germany last week, moved back into the black in

the first four months. The group returned a profit after financial items of FM86m (\$16m), compared with a loss of FM76m last time.

Group sales were up 21 per cent to FM4.09bn, while operating profits rose from FM496m increased lately over the key last year, equivalent to 15 per factors of economic conditions

or more than 23 per cent of net sales, in the first four months this year. The improvement was attri-

buted to the effects of the devaluation of the Finnish markka in autumn, higher capacity utilisation, and improved productivity. However Mr Jukka Hārmālā,

chief executive, warned it was unclear whether the upward trend would continue. He said uncertainty had

in Europe and price trends for forestry products. Excess supply had so far kept markets tight, Mr Härmälä said. Enso spent almost FML8hn

on capital expenditure in the first four months, mainly on completing a pulp mill and a combined cycle power plant in Finland. It said the emphasis would

now switch to international operations where the main investment is a DM800m (\$493m) recycling plant east of

Enso-Gutzeit returns to Anger over Fondiaria L1,058bn rights issue

By Haig Sknonian in Milan

INSURANCE analysts have approval to Monday night's surprise announcement of a L1,058bn (\$724.16m) rights issue by Fondiaria, Italy's third biggest private-sector insurer. The insurer reported 1992 group losses of L578hn.

"This is a return to the bad old days of ignoring minority shareholders, just at a time when Italy is supposed to be changing," said one angry Lon-don-based broker.

Shares in Fondiaria, controlled by the debt-laden Fer-ruzzi Finanziaria (Ferfin) holding company, fell sharply in

able to survive."

cover SFr100m in loan losses.

aging rich people's funds, not lending.

bank's credit manager, was arrested and charged with defrauding the bank.

More details later dribbled out. The

amount of the losses was more than SFr200m, undermining the bank's capi-tal base, and most of it had been loaned

In October, Mr Heer, who had been

freed by the Zurich police pending com-

pletion of investigations, made a series of sensational charges in the Swiss

press. The bank was setting him up as a

capegoat, he said, and he would do his

He said the bank had been operating a "criminal system" to help rich Ital-

ians hide their fortunes from the tax

He claimed Rothschild had been

involved in various schemes, even

including the payment to the alleged

murderers of Mr Roberto Calvi, the for-

to one client, breaking Swiss law.

best to implicate others.

authorities.

A few days later, Mr Jürg Heer, the

on had loans.

Milan yesterday in response to the 2-for-1 rights issue, priced at L6.500 a share.

Fondiaria stock fell by over 10 per cent to L24,101 from L26,843 as investors cut their losses by selling their holdings. The rights issue, which will halve Fondiaria's total group debts of L2,368bn, is seen as a barely veiled debt-for-equity swap by Ferfin's five main

underwriting the deal. Gaic, the listed holding company which owns about 40 per cent of Fondiaria, is not expected to take up its rights. Gaic is 80 per cent-owned by Ferfin and the heirs of Mr Camillo De

creditor banks, which are

pendently of Gaic, Neither is thought to be in a position to acquire additional shares.

On that basis, the five underwriters - Mediobanca, Banca Commerciale Hallana, Banra di » Roma, Credito Italiano and Isti-tuto Bancario San Paole di Torino - will end up with about 30 per cent of Fondiaria. The underwriters' stake could be appreciably higher if minority investors in Fondiaria fail to take up their rights.

owns about 15 per cent of Fondiaria, while Generali, the Italian insurer with which it is closely allied, has about '7 per Benedetti. Ferfin owns about

Rothschild pays the price of a Swiss scandal

Ian Rodger looks at an affair which has forced the family to bolster bank reserves

is roughly the same size as the stock of the group's five Fondiaria's L1,165bn group main creditor banks and most debts to banks has reinforced fears that control is effectively being transferred to Ferfin's fin's main industrial operation. main bankers without launching a public tender offer, in the first step in the gradual dis-memberment of the Ferruzzi

empire. Such transfers of con-

trol have been made more diffi-

cult under new stock market rules, but remain possible. Although Fondiaria's future Separately, Mediobanca is still unclear, the group is not expected to survive in its present form in the long term. Separately, shares in Ferfin and its subsidiaries continued falling heavily on the Milan price.

of the market in their wake. Trading in Montedison, Fer-

was suspended for the second day running as dealers failed to fix a price between vendors and purchasers owing to the weight of selling pressure. The stock was eventually fixed at L779 for a fall of 20.1 per cent. Shares in Ferfin also plunged, by 10.4 per cent to L593.5 from L662.3 on Monday, while the Gaic holding company, which controls the Fondiaria insurance group, quoted at L815 on Monday failed to find a

Italian regional banks link up

savings bank. In return, CRB

TWO of Italy's biggest regional Credito Romagnolo. Both sides have indicated the banks have agreed to take small equity stakes in each swap promises to be the preother in what could be the first lude to a gradual integration of step towards the creation of financial services in one of Italy's industrial beartlands. a private sector financial two banks specialise in retail services and lending to

Credito Romagnolo, the Bologna-based bank in which Mr Carlo De Benedetti's Cir group is one of the most important shareholders, is to buy about mio di Bologna, the city's step towards the creation of a

Mövenpick may

The directors said they have

over a dozen cases involving

staff appointments and dis-

missals and other alleged viola-

tions of company law commit-

ted by Mr vom Hagen that could lead to claims. The state-

ment alleged that Mr vom

Hagen had given orders to

external consultants without

the knowledge of the manage-

ment board, leading to charges

of about SFr30,000 per working

day in 1992 but no results.

be exposed to

SFr5m claims

By lan Rodger in Zurich

SFr5m (\$3.4m).

France leads in European

Romagna region.

MOVENPICK, the Swiss hotel and restaurant chain, yesterday said that Mr Wolfgang vom Hagen, its former chief executive officer, may have exposed it to claims of up to

sations will come in France, says the report, where the government plans to sell off assets valued at between \$30bn and \$40bn. Next comes the UK, with \$20bn. Italy (\$10bn-\$15bn). Sweden (\$10bn), Germany (\$8bn) and Spain (\$5bn-\$8bn).

The \$150bn of assets to be sold is equivalent to 10 per cent of total European stock market capitalisation, or 2.5 per cent of EC gross domestic

will buy up to 5 per cent of Gianguido Sacchi Morsiani chairman of the savings bank. To launch their co-operation, the two banks will rationalise duplicated operations in some financial services and study setting up joint ventures in others Credito Romagnolo, in which

big Bologna bank," said Mr

small and medium-sized busi-France's Banque Nationale de nesses, which form the eco-Paris has over 6 per cent, has about 350 branches and denosnomic backbone of the Emilia its of L46,000bn (\$31bn). CRB "The agreement is the first has 110 branches and deposits

state sell-offs, study finds

By Peter Martin in London

EUROPEAN governments plan to privatise between \$100bn and \$150bn worth of stateowned companies in the next five years, according to a new study by Morgan Stanley, the US investment bank.

The biggest wave of privati-

The likely privatisations are concentrated in a few sectors especially telecommunications (between 15 and 20 per cent of

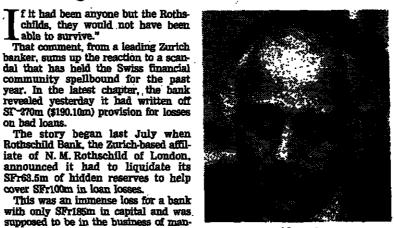
assets to be sold), energy and

utilities. Together, these make up over half the value of planned privatisations. There will also be substantial sales of state-owned banking and insurance institutions.

Mr David Roche, one of the authors of the study, said he expected governments to be able to find buyers for these shares as long as interest rates fell and they offered appropri-

together with a stable political and regulatory framework. European Privatisation by Richard Davidson and David Roche, Morgan Stanley, 25 Cabot Square, London E14 4QA mer chairman of Banco Ambrosiano

ate incentives to buyers



Sir Evelyn: net loss of customers 'not dramatic'

found hanging under Blackfriars Bridge in London in 1982. The bank yesterday again denied the allegations: "We are convinced that criminal proceedings will prove that Heer's statement as to a criminal system within Rothschild Bank is untrue." The charges have caused immense

damage to the reputation not only of the Zurich bank, but also to the Rothschild family. "Obviously, we have lost some clients," says Mr Guy Wais, the general manager hired last autumn to

straighten the bank out. However, the Rothschild family closed ranks, injected SFr120.5m of new capital into its Zurich problem child and set about implementing the 100-odd recommendations for tightening up procedures made in a study by Coopers &

Operating profits have been maintained and Mr Wais says the net loss of customers is "not dramatic". Sir Evelyn de Rothschild, the chairman, writes in the annual report that the bank is "strongly placed to meet the challenges

A full picture of what actually went wrong must inevitably await the completion of investigations, but the broad

outlines are now clear.
The bank's troubles date from 1981 when Mr Gilbert de Botton, its original general manager, left to work for Mr Jacob, now Lord, Rothschild's bank in London (which has no association with

the Zurich bank). Baron Elie de Rothschild, head of the French family and then chairman of the Zurich bank, hired Mr Alfred Hartmann, a Swiss banker, to replace him. By all accounts, neither Baron Elie nor Mr Hartmann was particularly attentive to the business, and a triumvirate of line executives, including Mr Heer, were left largely on their own.

In the subsequent years, the bank would get into a couple of serious scrapes, making an illegal loan to the Zug-based international commodity dealers Marc Rich in 1984 and buying some SFr11.8m worth of Jacob Suchard shares for its own account in 1991 when it was advising on a takeover bid for the confectionery group.

The bank's most fateful adventure, however, was financing the projects of Mr Karsten von Wersebe and Mr Wolfgang Stolzenberg, two German Canadians with an impressive record leading private consortia of European investors in North American property deals.

Rothschild, through Mr Heer, provided loans to companies associated with these two, mainly Castor and York

Hannover. The documentation for the loans, which a lawyer for Mr von Wersebe has shown to the FT, reveals very large front-end commissions.

Moreover, on occasions, Mr Heer would observe that Rothschild's own lending exposure to the York Hannover-Castor companies was at its legal limit, so would propose organising some Rothschild clients into a private consortium to provide the loans through an offshore company.

In 1991, when the squeeze in the North American property market became acute, the lending increased to a level that began to arouse suspicion at the bank. And early last year, when both York Hannover and Castor collansed. Rothschild found itself with a huge portfolio of worthless loans.

What remains at issue is who committed illegal acts. Mr Heer has admitted skimming off SFr30m in commis-sions on his lending activity, an amount that is remarkably close to the commissions shown in Mr von Wersebe's documentation.

Rothschild has maintained that Mr Heer was acting alone and hoodwinked the bank's directors and auditors. Baron Elie and Mr Hartmann, who was deputy chairman, have since left the board, and the bank's former auditors, KPMG, Fides Peat, have been replaced.

Outsiders cannot understand how one man could have committed a relatively small bank to SFr270m in loans without other directors being fully briefed. The Banking Commission's investigation is aimed at discovering whether others, perhaps including some officers

still at the bank, were complicit. Investigations are being seriously hampered by the disappearance of Mr Heer. He fled Switzerland in December.

INDOSUEZ KOREA FUND S.A.

A Variable Capital Investment Company incorporated under Belgian law Rue des Paroissiens 27 B-1000 Brussels (Belgium) Brussels Trade Register No. 552493

The shareholders are invited to attend

the Annual General Meeting

which will be held at the company's registered office Rue des Paroissiens 27 B-1000 Brussels (Belgium) on Monday June 21st, 1993 at 3.00 p.m.

with the following agenda:

- Report of the Board of Directors
- 2. Report of the Statutory Auditor
- Approval of accounts and allocation of results
- Granting discharge to the Directors and the Statutory Auditor
- Statutory elections
- 6. Miscellaneous

Shareholders or their proxy, who wish to attend the Annual General Meeting should deposit their shares at least five days prior to the date of the meeting at the company's office or with:

- Indosuez Bank Belgium Place Sainte-Gudule 14 B-1000 Brussels (Belgium)
- Indosuez Asia Investment Services Ltd. Suite 2606-2608 One Exchange Square Central Hong Kong

Shareholders are advised that no quorum is required for the items on the agenda and that the decisions will be taken by simple majority of the shares present or represented at the meeting.

The owners of registered shares should inform the Board of Directors in writing at least five days prior to the date of the meeting of their intention to attend the meeting and should indicate with how many shares they want to vote.

"The share issue being already oversubscribed, this announcement appears as a matter of record only"

REXEL increases its capital

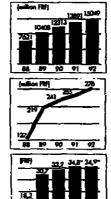
Rexel. formerly CDME, takes a majority interest in Groupelec Distribution and increases its capital to strengthen its development in the distribution of electrical equipment.

Yesterday CDME

KEY 1992 FIGURES

Consolidated turnover: FRF 15,049 million Consolidated net income: FRF 276 million Workforce: 8,702

Sales outlets: 750 Subsidiaries: 51 established in 14 countries.



Increase in consolidated + 97.47 %

Increase in consolidated net income (CDME part): + 117.52 %

Increase in earning per share : + 91.76 %

the average number of shares

Today REXEL

The consolidation of CDME and Groupelec Distribution creates:

REXEL, a world-sized leader in the distribution of electrical equipment : number one in France, Portugal and Belgium, with significant market shares in Germany, United Kingdom, Canada, United States and present in seven other countries.

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REXEL, a new opportunity to participate in the development of a group whose divisions (CDME and Groupelec Distribution in particular) have demonstrated their capacity to grow with profit over the last 25 years.

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SPECIFICATIONS: Total amount issued: FRF 150,038,000

• Number of shares issued: 306,200 Issue price: FRF 490 • Each of these shares will have a warrant attached: exercise period from July 1, 1993, to June 30, 1998, 2 warrants required to subscribe one share • Exercise price; FRF 500 Priority period for shareholders: 11 to 24 June 1993 ■ Public offer: from June 11, 1993

rospectus (French Official Bulletin of Legal Announcements BALO dated June 11, 1993) with visa No 93 - 284 dated June 9, 1993, is available on request Write to or call the head office : 15 rue d'Athènes - 75009 PARIS - Tel : 42.85.83.00

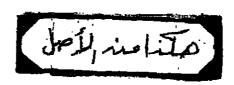


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INTERNATIONAL COMPANIES AND FINANCE

Nat Semi reports record earnings as sales top \$2bn

By Louise Kehoe in San Francisco

serves

NATIONAL Semiconductor, the US chip maker which last year restructured its global operations, reported record sales and earnings for 1992-93, lifted by a strong fourth quar-

Net earnings for the year ended May were \$130.3m, or 98 cents a share, compared with a loss of \$120.1m, or \$1.24, a year earlier, after restructuring charges of \$149.3m. Sales rose to \$2.01bn from \$1.72bn.

"Passing the \$2bn milestone in sales with record earnings ats a real resurgence of both growth and profitability at National Semiconductor," said Mr Gilbert Amelio, president and chief executive.
"I am gratified by the suc-

cess of our efforts to rebuild the company, and confident that we will be able to main-For the fourth quarter,

National reported net earnings of \$46.2m, or 35 cents a share, on sales of \$557.9m, compared with net earnings of \$27.5m, or 22 cents, on sales of \$491.5m in the same period last year. "The past year was a period

of tremendous progress at National Semiconductor. We completed a large portion of our planned restructuring activities, including significant expansion of our manufacturing centres at Arlington, Texas, and Greenock, Scotland." Mr Amelio said.

Over the past year, National cut its workforce by 3,800 peo-ple to 23,400, cut back produc-tion in California and sold an assembly and test facility in Bangkok. Commenting on market con-

ditions, Mr Amelio said that National expected orders to weaken during the traditionally slow summer quarter, but that sales may drop only mar-ginally below the fourth-quar-ter level.

BCE sells 16.5% stake in Talisman

By Robert Gibbens in Montreal

BCE. Canada's biggest telecommunications group, is quitting the energy business with the sale of 16.5 per cent of Talisman, formerly BP Can-ada, for C\$326m (US\$251m).

BCE's 10.9m Talisman shares are being sold to a con-sortium of investment houses made up of Burns Fry, Gordon Capital, Nesbitt Thomsom and **Toronto Dominion Securities** at C\$30 a share. The investment group pro-

Toronto stock exchanges with settlement due June 21. BCE, which is the parent company of Northern Telecom, diversified into energy via TransCanada PipeLines in the mid-1980s. In the past three years, it has sold its TCPL shares, but was left with con-

trol of Encor, TCPL's explora-

tion unit. British Petroleum sold its 57 per cent stake in Talisman in May 1992 for C\$373m.

Allistate[®]

Exxon slowly recovers from shrinking pains

David Lascelles looks at the world's largest oil group as it emerges from restructuring

Exxon prefers to do things without much fuss. So when Mr Lee Raymond took over from Mr Lawrence Rawl as chairman of the world's largest oil company in April the message was very much: business as usual.

Mr Raymond, the company pointed out, had worked for six years as Mr Rawl's president, and the last thing he was going to do was shake Exxon up.
It would be surprising if Mr
Raymond did institute big changes since Exxon is emergposes to resell the shares ing from a substantial restructuring caused by the squeeze in oil. What it wants is a period of through the Montreal and

calm to rediscover its roots. Under Mr Rawl, Exxon abandoned its skyscraper headquarters in Manhattan's Rockefeller Centre for a faceless office overlooking one of the many freeways leading out of Dallas in Texas, the home of US oil. It pulled out of the bold

diversification ventures that were fashionable in the early 1980s. It even retreated from Los Angeles, the city of the

car, because it could not make sell-offs of a similar order.

enough money there. The restructuring has been a inful process, not helped by the 1989 Exxon Valdez disaster and the ensuing multi-billion dollar clean-up. Much of it was implemented by Mr Raymond, who was seen in some quarters of the US oil industry as Mr Rawl's hatchet man.

Exxon's shrinking pains

were brought on by the col-lapse of the oil price in the late 1980s. In common with all the leading US oil companies, Exxon had become bloated in a market where growth provided the escape route out of diffi-culty. This time, Exxon was forced to cut costs, and find ways of doing more with less. Over the past four years, it has got rid of refineries in Europe and North America, shut down over 4,000 service

stations around the world, and cut its workforce from a 1989 peak of 104,000 people to 95,000. All told, Exxon's cutbacks have reduced costs by nearly

The restructuring ate deep into profits last year, when net income fell 15 per cent to \$4.8bn. But this figure conceals a strong final quarter which analysts say shows that the strategy is beginning to work. In the first quarter of this year,

earnings were flat. When Mr Raymond took over as chairman, he told shareholders: "There are great risks associated with our industry. But the corollary is that there are also many rewards and opportunities for companies which are able to adapt to change."

The most obvious result

of the restructuring is that Exxon is a smaller company. This year Exxon expects to produce 1.7m barrels of oil a day, refine 3.6m and sell 4.8m. Twenty years ago, Exxon was a 6m b/d company all the way through. But Exxon expects to make more money the new way, and it intends to keep up its annual \$1bn a year and resulted in

investment programme of nearly \$1bn a year, though the growth prospects are abroad rather than on its doorstep. The new Exxon will not try

to compete across the breadth of the US market, but only where it is strong and can operate with low costs. Apart from Los Angeles, it has retreated from South Florida, and it plans to cover the whole of the US with just three large refineries and one small one. Its US exploration effort has been curtailed to three main areas, all offshore: Alaska, Cal-

Exxon is still keen on the North Sea, particularly the Norwegian sector where it is the largest non-Norwegian acreage holder. It is especially interested in gas, believing that continental markets will develop stronger needs.

ifornia and Mobile Bay.

The most exciting prospects, Exxon believes, lie in the Asia Pacific region where it is making the heaviest investments. The company is expanding its refinery in Thailand, particition project in Hong Kong, and is developing oil and gas prospects off Malaysia. There is a possibility to explore for oil

onshore in China. One thing Exxon has turned its back on is diversification out of its traditional lines of business. This is partly because of costly lessons learns from its forays into minerals and energy during the last decade, partly because it sees little change in the world's energy picture, with oil, gas and coal dominating.

The biggest change between now and 2010, it believes, will be driven by rising electricity demand in the Third World. This means that natural gas will gain in importance as more gas-fired power stations are built. But it also means that coal will be able to hold its 25 per cent share of energy consumption over that period The loser will be oil because of sluggish growth among its

biggest consumers in the

Deutsche Bank merges US securities divisions

DEUTSCHE Bank, Germany's biggest banking group, announced yesterday it was combining its US securities activities into a single subsidiary, Deutsche Bank Securities.

Previously, Deutsche Bank's securities operations in the US were divided between three units: the Wall Street equity research and brokerage firm C. J. Lawrence, the international securities and asset management businesses of Deutsche Bank Capital, and the treasury market primary dealership Deutsche Bank Government Securities.

Under US banking and securities industry regulations, the businesses of C. J. Lawrence and Deutsche Bank Capital were kept strictly apart, preventing the German bank from co-ordinating its activities between the two units, and hindering the overall development of its securities business

in the US. The new subsidiary, however, will operate under Section 20 of the Glass-Steagall Act, which allows banks to engage in corporate securities dealing and underwriting activities if revenues from these activities do not exceed

By Patrick Harverson

vertible into stock.

TIME Warner, the US

entertainment group, plans to raise \$750m through an issue of

Liquid Yield Option Notes

The money from the issue, together with available cash,

will be used to pay off more expensive Time Warner debt.

Although the issue has yet to be priced, the Lyons will pay a lower interest rate than the 8%

per cent convertible subordi-

nated debentures that are to be

redeemed. The company said

(Lyons), a form of bond con-

Time Warner to raise

, \$750m in Lyons issue

10 per cent of the company's

gross US-based revenues. Mr John Rolls, Deutsche Bank chief executive officer in North America, said the reorganisation was to ensure that a co-ordinated strategy for its US securities operations could be developed under one roof.

He said the regulatory restrictions involved in having two key units, DBCC and C. J. Lawrence, operate under separate banking and securities laws had been burden-

The newly-united Deutsche Bank Securities will take aim at the rapidly expanding market in cross-border securities, underwriting, broking and dealing. It hopes to help feed the growing appetite of US investors for European securities, and benefit from the growing interest in US stocks among European investors.

Mr Rolls said the US operations of Morgan Grenfell. the UK investment bank 100 per cent-owned by Deutsche the reorganisation.

Deutsche Bank Securities will be based in New York, with about 500 staff. It will be run by Mr James Moltz, currently chairman and chief executive of C. J. Lawrence, and Mr Horst Risse, head of

the Lyons issue was part of its

refinancing programme to

lower the cost of its debt and

strengthen its balance sheet.

Earlier this year, Time Warner redeemed \$3.6bn worth

of convertible preferred stock

The Financial Times yesterday incorrectly reported the 1992

result for Unitas, the Finnish

bank. The company returned a

loss of FM2.7bn (\$491m).

in a share-buy back.

Correction

Unitas

The Alistate Corporation

All of these securities having been sold, this advertisement appears as a matter of record only

89,500,000 Shares

Common Stock

(par value \$.01 per share)

11,500,000 Shares

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S.G.Warburg Securities

ABN AMRO Bank N.V.

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June 1993.

INTERNATIONAL COMPANIES AND FINANCE

Rising yen deals fresh blow to Nissan

The Japanese carmaker's president talks to William Dawkins and Michiyo Nakamoto

NISSAN CAR SALES

Attempts to reduce Japanese car

export quotas to the EC and to count

Nissan UK's production in the quotas

412,388 439,218

ISSAN recently aroused a stir when it became the first Japanese carmaker since the second world war to announce a plant closure.

The pain, while mild by the standards of the wholesale job cuts experienced by the US and European car industries, is not yet over, it was revealed yesterday.

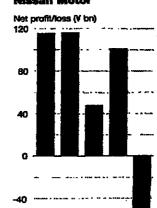
Mr Yoshifumi Tsuji, Nissan president, said his restructuring plan had not taken account of the blow to export earnings dealt by the yen's unexpectedly steep rise.

edly steep rise.

This was the first time that the yen had appreciated significantly against both the dollar and the D-Mark, hitting Nissan's price competitiveness in both the US and Europe, its main export markets, he explained.

Nissan's options included price rises and another round of cost-cutting, although there was no definite plan yet, he said

This comes after a year in which Nissan made its first loss as a listed company and had to announce the shutdown of the Zama car assembly plant near Tokyo, the main part of a plan to shed 5,000 jobs out of Nissan's 53,000 Japanese workforce over the next three years.



truck group.

Nissan's workforce might already seem lean by European

car industry standards, a

reflection of the fact that Japa-

nese carmakers sub-contract

more components to outside

suppliers than do European

Nissan reckons that subcon-

tracted components represent

were 'unfair and unreasonable,' Mr
Tsuji said. 'We should be regarded
as a fully-fledged member of the EC'

The company will not make any redundancies but will rely on natural wastage, yet the need to shrink the business is a heavy blow to the pride of Japan's second largest car and

the knife again.
Nissan had cut costs in previous downturns, "but then we
tended to put on more weight,
more fat than before" when a
recovery materialised, he said.
This time, Nissan would
need to stay smaller, said Mr
Tsuji, a man of gravity whose
engineering background is said

to have earned him the respect

70 per cent of its manufacturing costs, as against the 60 per at the sharp end of the job

> The closure of Zama would not have a big impact on Nissan's financial position. Mr Tsuji says. But clearly Nissan believes the move was essential to adjusting to what it fears is a long-term market decline.

"Until now we could always expect an increase in demand and we set our production capacity accordingly. But we can no longer expect demand to meet the 2.5m units per year

capacity Nissan has." The three-year plan aims to slim capacity to 23m units amually. The Japanese car market

the Japanese car market looked set for a recovery in the next six months or so, but Mr Tsuji saw no sign of an upturn in Europe, where Nissan sales volumes fell 10.4 per cent in the first five months of the year in a market down 17.3 per cent.

Asked about the outlook for his Japanese competitors, Mr Tsuji said that the 11 car and truck makers could all survive on condition that they did not peach each other's market specialities.

This contrasts with a widespread view in Japan that the nation's car industry will need deep restructuring. The other cloud on the Japa-

nese car industry's horizon is the growing trade friction with the US and the European Community.

Tensions with the Clinton administration posed more of a problem than did the EC's fresh bout of anxiety over Japanese car imports and local production, Mr Tsuji said.

Local content for Japanese

carmakers was lower in the US
than in Europe and Mr Tsuji
recognised the need to increase
that content in the face of the
tensions.

Yoshifumi Tsuji: does not deny Nissan has reached a watershed

Here, it was a strength for Nissan to have a Mexican plant which exported engines and transmissions to Nissan's car assembly plant in Tennes-

Vehicle demand in Latin America was so strong that Mr Tsuji saw no room for Nissan Mexico to export vehicles to the US.

The European Commission's attempts to reduce Japanese car export quotes to the Community and to count Nissan UK's production in the quotas were "unfair and unreasonable," he said.

The pressure for tighter quotas, mainly exerted by France and Italy, was a response to the much steeper fall in European car demand than had been anticipated in the 1991

Japanese car imports accord.

However, Nissan had no intention of changing its UK business plans in the light of all this. "We should be regarded as a fully-fledged member of the EC," Mr Tsuji

said.

Like other Japanese carmakers, Nissan was studying
the fast-growing Chinese market. But Mr Tsuji was cautious
about Nissan's ambitions
there. "We still do not know
how aggressive we should be
in the Chinese market. The
future of China is still uncer-

tain," he said.

Clearly, Nissan will think hard before embarking again on the breakneck expansion of the past. Mr Tsuji does not deny that the Japanese group is at an important watershed.

Toyota may use Ford components in its cars

TOYOTA will start design in development with Ford Motor's automotive development group in a deal which could lead to the Japanese ear group using Ford components in its cars for the first time, writes Michiyo Nakamoto in

Tokyo.

Through the design-in development agreement, Toyeta will be studying whether Ford's cruise control system might be appropriate for use in its own cars, Toyota said.

The Japanese company

The Japanese company already buys components such as shock absorbers and radiators from General Motors, for use in its cars manufactured both in the US and Japan.

Toyota cited the need to co-operate with foreign companies and to study what components could be bought from foreign companies as an important factor behind its decision. Toyota currently uses cruise control systems developed in Japan by its main Japanese components suppliers such as Nippon Beaso. Growing trade friction with the US, however, has forced Japanese carmakers to consider buying more components from US manufacturers.

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Shareholders' equity + 3.9

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Parent Bank's figures as at 31st December 1992

US\$ m

Customer deposits 14,527

Loans to customers 12,806

Net profit 117

Total assets 26,202

Shareholders' equity 1,285

The figures involved speak for themselves. Add all the figures together and they indicate the steady growth of Banco Ambrosiano Veneto, which can rightly be regarded as Italy's Leading Private Bank.

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Joint Miramar bid hits valuation snag

By Simon Holberton in Hong Kong

MR Li Ka-shing and Citic Pacific's joint bid for Miramar Hotel and Investment has hit a snag with Miramar's senior executives claiming that the bid undervalues the hotels and property group by up to HK\$2.5bn (US\$343m).

In a letter to shareholders, Mr Young Bing-Ching, Miramar director and general manager, said the overture from Mr Li and Citic Pacific, Beijing's main investment arm in Hong Kong, was not friendly, as Mr Li has claimed, and that it undervalued the company. He urged shareholders not to sell until they

had received the opinion

Last week, Mr Li and Citic launched a cash bid for Miramar of HK\$15.5 a share and HK\$8.50 a warrant, valuing the company at HK\$8.7bu. The market's initial reaction was that the offer was too low and Miramar's shares have since been trading above the offer. Yesterday they closed at HK\$16.70.

Mr Young claimed in his letter that Miramar's property assets alone were "good enough to support (the company's) shares at HK\$20". He said that Miramar was

close to reaping the benefits of the work it had done in developing ties on the mainland.

Neither Citic or Mr Li had

any comment to make on Mr

Young's statement.

Minnesota Brewing moves bottling line into China

By Tony Walker in Beiling

MINNESOTA Brewing Company, brewer of Landmark beer, is shifting one of its bottling lines to China under a Yuan37.5m (\$6.6m) agreement with the Zhengzhou Gold Star Beer Factory in the country's

central Henan province.

"More bottling lines will be moved here when we finish the first phase of expansion," said Mr Li Jing, product promotion

anager of the Zhenezhon

brewery.

Under the agreement, MBC will transfer its slack production lines to Zhengzhon, increasing output there to 150,000 tonnes from the present 100,000 tonnes. MBC's contribution will amount to Yuan14.8m.

The Zhengzhou brewery will keep its Gold Star brand, but will use Landmark packaging for the additional 50,000 tonnes.

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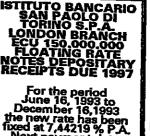
Floating Rate Notes due 1994

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 13th September, 1993 has been fixed at 6% per annum. The interest accruing for such three month period will be £154.52 per £10,000 Bearer Note, and £1,545.20 per £100,000 Bearer Note, on 13th September, 1993 against presentation of Coupon No. 14.



llth June, 1993

London Branch Agent Bank



For the period
June 16, 1993 to
December 16, 1993
the new rate has been
fixed at 7,44219 % P.A.
Next payment date:
December 16, 1993
Coupon nr: 3
Amount:
XEU 38,for the denomination
of XEU 1 000
XEU 378,for the denomination
of XEU 1000
XEU 3783,for the denomination
of XEU 1000

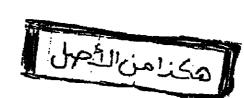
XEU 3783,for the denomination
of XEU 10000

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is hereby given that fur the six
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1993 to 16 December 1993 the
notes will carry un interest rate
of 3.44% per annum. Interest
payable on 16 December 1993
will amount to US\$174.87 per
US\$10,000 note and
US\$1,371.67 per US\$250,000

Agent: Morgan Guaranty Trust Company JPMorgan

ITALY'S LEADING PRIVATE BANK



INTERNATIONAL COMPANIES AND CAPITAL MARKETS

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Burney - Marie

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MANAGEMENT and workers, backed by a consortium of Polish banks and foreign investors, have offered to purchase the Gorazdze works, the country's largest and most modern cement producer.
The bid, which is being con-

sidered by Poland's privatisation ministry, is in competition with a three-year effort by CBR, the Belgian cement company, to purchase the plant.
The CBR offer, which includes the purchase of the Strzelce Opolskie cement works nearby, has been resisted by the trade unions at Gorazdze which want to see control of their plant stay in

Polish hands. The consortium's offer marks the first time that shop floor resistance to a foreign takeover has been transformed into a rival bid backed by Polish banks and foreign investors willing to take a minority

The rival offer would see 35 per cent of the plant's equity go to management and employees while a further 16 per cent would be taken up by the Pol-ish Development Bank and 10 per cent would go to the Bank Przemysłowo Handlowy from Krakow. Both banks are state

Another 10 per cent would be purchased by Warta, a privatised insurance company, and 9 per cent by a British invest-ment group. The US Congress financed Polish American Enterprise Fund is interested in purchasing a 10 per cent share in Gorazdze while the remaining 10 per cent would be sold through a public offer.

Gorazdze reported sales worth 1,017bn zlotys (\$59.5m) last year with net profits of 85bn zlotys and is looking for sales to increase by 7 per cent this year. It produced 1.9m tonnes of cement, or 11.6 per cent of Poland's cement out-put, last year and accounted for a quarter of the country's

Consortium bids | US triggers disclosure revolution

Latin American companies are changing their ways, says Damian Fraser

HEN Telebras, Bra-zil's state-owned telephone company, makes its planned \$500m offering of American Depositary Receipts later this year, it will join 34 Latin American companies listed on Wall Street. Five years ago there were none. The transformation is a clear

illustration of the extent to which foreign investment is being encouraged to support companies' capital plans and plug the gaps left by Latin America's weak capital markets and low savings ratios. The phenomenon is most

widespread in Mexico, where total foreign investment in the stock market is \$27.5bn. of which more than half is in UStraded ADRs. While this is around a fifth of Mexico's stock market capitalisation, analysts believe foreign investment accounts for more than 50 per cent of the volume of the most

widely traded shares.

The result is that US investors, usually through purchases of ADRs, dictate events in the Mexican market. Stock markets in the US open before Mexico's, and the performance of the ADR of Telmex, the telephone monopoly, in New York



Pedro Aspe: hopes that reforms will benefit Mexican brokers

often dominates Mexico's

When Cementos Mexicanos (Cemex) bought the Spanish cement companies Sanson and Valenciana last year, US investors rushed to sell, worried at the prospect of the Mexican company becoming 40 per cent Spanish in terms of sales.

Mr Gustavo Caballero, Cemex finance director, says that US analysts did not believe a Mexican company was capable of taking such a bold step into foreign busi-

However, the dependence on foreign capital might improve the way some Latin American countries are run and analysed. Once controlled by just a few dominant shareholders. companies in the region often ignored minority investors.

"Latin American companies need a shake-up in the way they disclose information and what they say to the market," says Mr Terence Mahony, of Baring America Asset Manage-

A growing number of companies are responding to US analysts' requests for information, and under US regulations face more stringent disclosure rules than they do at home. On a recent holiday in New

York, the head of the Mexican company Interceramic visited investors to explain his strategy - a move that would have been unthinkable a few years ago. Banamex (Mexico's largest bank), Bancomer (the second largest). Cemex and others have hired public relations firms in the US, and employ investor relations executives. Local broking houses are changing their practices. In Brazil companies used to be valued according to price-tobook value. But with the growing presence of foreigners, price-to-earnings value analysis has become more prevalent. Similarly, local brokers rarely made earnings forecasts, preferring to rely on historic earnings. Now almost all produce

en governments are beginning to wake up to the international competition their stock markets face. Chile recently reduced from three years to one the minimum period that foreigners had to hold initial capital in a stock before selling. Mexico has unveiled a series of reforms, allowing international stocks to be listed in Mexico and bringing regulations closer

to US levels. Mr Pedro Aspe, Mexico's finance minister, hopes that the reforms will bring share trading activity back to Mexico. This would enable local brokers to earn commissions from trading in Mexican stocks, since more foreign investment would be made in the underlying stock market in Mexico and not in the ADRs.

TRONOH MINES MALAYSIA BERHAD (Incorporated in Malaysia) NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of members of Tronoh Mines Malaysia Berhad will be held at the PNB Theatrette, 2nd Floor, Menara PNB, 201A, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia on Tuesday, 13th July, 1993 at 11.00 a.m. for the

To consider and, if thought fit, pass the following as ordinary resolutions 'That the Directors' Report and Accounts for the year ended 31st January, 1993 and the Audstors Report thereon be and are hereby

received and adopted." That the final dividend of 30 sen per share, less tax at 34%, be and is hereby approved and declared payable on 17th August, 1993 to

members registered at the close of business on 23rd July, 1993." 'That Tuan Haji Faisal Siraj, who retires by rotation, he and is hereby re-elected a Director of the Company." 4. 'That Tuan Haji Mokty bin Dato' Mahmood, who retires by rotation, be

and is hereby re-elected a Director of the Company.

That Messis KPMG Peat Marwick, who are eligible and have given their consent for re-appointment, be and are hereby re-appointed the Company's Auditors for the period until the conclusion of the next Annual General Meeting and that the remuneration to be paid to then be fixed by the Board."

DARMAWATTI DAHARI

Kuala Lampui 16th June, 1993

i) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

A form of proxy to be valid must reach the Registrary' office at Perna-Charter Management Sendirlan Berhad, 32nd Floor, Menara PNB. 201A, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia or The United Kingdom Registrars' office at Barclays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU. England not less than 48 hours before the meeting.
ii) There are no Directors' service contracts required by The London

Stock Exchange to be made available for inspection at the meeting.

Foodland to merge unit with NZ chain

By Bruce Jacques in Sydney and Terry Hall in Wellington

RATIONALISATION is continuing apace in the Australian and New Zealand grocery industries, with two deals announced yesterday worth a combined total of about \$A120m (US\$81m).

Foodland Associated, the Australian grocery group, will merge its New Zealand operations with those of Progressive Enterprises, one of the country's biggest supermarket chains.

The proposal follows the purchase by Foodland of a 38.6 per cent. NZ\$128.2m (US\$69.7m) stake in Progressive, formerly held by fellow Australian group Coles Myer. Progressive will pay NZ\$101m for Foodland's New Zealand retail and wholesale assets by issuing 54.6m shares at NZ\$1.85 each.

Progressive said that with dividend entitlements and timing differences, the price was equal to the NZ\$2 a share paid by Foodland for Coles Myer's shares in Progressive.
The deal will make Progres-

sive a subsidiary of Foodland, raising the latter's shareholding from 43 to 57 per cent. The combined group would account for about 34 per cent of New Zealand's supermarket sales, making it the second largest such organisation in

the country. Davids Holdings, Australia's biggest food wholesaler, paid \$A37.8m for a 19.9 per cent stake in its South Australian rival, Independent Holdings.

Hungary deal for Belgian

developers

IMMOBILIERE de Belgique the large Belgian property group, has paid BFr74m (\$2.2m) for a 35 per cent stake in Core, a Hungarian property developer, Reuter reports from

The Belgian company has also committed at least a further BFr260m towards the construction of a business complex in Budapest.

Core has applied for a permit to build a business complex on an 18.6 hectare site in Budapest, the company Immobel said that one of the

German shareholders of EGLB Beteiligungs - a private holding company in which Immobel has a minority stake - had also bought a 35 per ceut stake

Canadian cinema group optimistic

CINEPLEX ODEON, the Canadian cinema and film distribution group controlled by the Montreal Bronfman family, expects to return to profit in the third quarter of this year, writes Robert Gibbens in

Montreal. The group made a firstquarter loss of US\$10.8m on revenues of \$116m, against a loss of \$13.9m on revenues of \$129m a year earlier.

Debt had been reduced from \$700m to \$385m, cash-flow was positive and operating expense was under control, Mr Allen Karp, president, told the AGM. In 1992 Cineplex lost \$41.3m on revenues of \$518m.

Although Cineplex has been heavily restructured, and theatres in several marginal US markets have been sold, it is still one of North America's largest cinema operators. The group has 1,614 screens

NEWS DIGEST

■ UNIT TRUST of India, India's largest mutual fund group, is to launch its India Liberalisation Fund in the US. writes R. C. Murthy in Bombay.

This will be the third country fund, slated for launch in August-September, after a gap of more than four years.

The first, the sterling-denominated India Fund, was floated from Guernsey for £75m (\$115.5m). This is to be converted into an open-ended fund from July 1. India Growth Fund is dollar

denominated and listed on the

■ THE International Swap Dealers' Association, the trade group representing the derivatives industry, plans to change its name to International Swap

and Derivatives Association, writes Laurie Morse in Chicago.

"When ISDA was founded in 1985, the terms 'swaps' and 'over-the-counter derivatives' were virtually interchangeable," said Mr Joseph Bauman, ISDA chairman and head of global derivatives for Citibank.

"At that time our name accurately conveyed our focus," Mr Bauman explained. "In addition to interest rate and currency swaps, ISDA covers a variety of options-based prod-ucts, 'swaptions', FX and cur-rency options, OTC equity and commodity-linked transactions, and other instruments.

SYNTHELABO, part of the French L'Oréal group, has acquired Alcon's Couvreur Pharma, a Belgian company specialising in over-the-counter medicines. Reuter reports from

Fiduciary Issue by Kredietbank S.A. Luxembourgeoise to fund a loan to be made by it to

ISVEIMER

Istituto per lo Sviluppo Economico dell'Italia Meridionale

Italian Lire 150,000,000,000 Floating Rate Notes due 1997

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from June 16, 1993 to September 16, 1993 the Notes will carry an Interest Rate of 10.625 % per annum. The Interest Amount payable on the relevant Interest Payment Date, September 16, 1993 will be ITL 135.764 per ITL 5.000.000 crinocal amount of Note and ITL 2,715,278 per ITL 100,000,000 principal amount of Note.

> The Agent Bank Kredietbank S.A. Luxembourgeoise



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FUTURES PAGER

SCHNEIDER S.A.

SOCIÉTÉ ANONYME Incorporated in France with limited liability
Registered office: 4, rue de Longchamp - 75116 PARIS

NOTICE OF GENERAL MEETING

The General Meeting of the Masse of the holders of the 2 per cent guaranteed Exchangeable Bonds due 2003 of SQUARE D Company, invited by a first notice to attend the General Meeting on 9th June 1993, having been unable to deliberate, the quorum being not present, the holders of such bonds are invited to attend the General Meeting to be held on 25th June

1993, at 9.00 a.m. at the office of the Compagnie Financière du CIC et de l'Union Européenne. 4 rue Gaillon PARIS 2°, to consider the following agenda:

The approval, subject to the decision of the General Meeting of the shareholders of SCHNEIDER S.A., of the authorization given to the board of Directors of SCHNEIDER S.A. to:

- issue shares of SCHNEIDER S.A. with or without warrants for a maximum

issue bonds, other tradeable securities or subordinated securities which are convertible into, exchangeable for or reimbursable with, shares, for a maximum nominal amount of FF 5 billion,

issue warrants representing subscription rights to an aggregate number of shares which can total no more than a nominal amount of FF 3 billion.

In connection with any such issuance of Securities and shares, SCHNEIDER's shareholders should renounce any preferential subscription rights.

• The approval, subject to the decision of the General Meeting of the shareholders of

SCHNEIDER, of the authorization given to the Board of Directors to approve the issuance of shares in connection with the issuance, by companies in which SCHNEIDER holds, directly or indirectly, a majority of the outstanding share capital, of warrants, bonds, other tradeable securities or subordinated securities which

are convertible into, exchangeable for or reimbursable with, shares. In connection with any issuance of shares, SCHNEIDER's shareholders should renounce any preferential subscription rights. Furthermore the issuance of any such shares is limited to an aggregate nominal capital increase of FF 3 billion.

In the event of death, retirement or renewal of one or more of the initial Represen-

The nomination of two substitute representatives of the "Masse".
 These representatives will be:

tatives they will be automatically replaced by one of the substitutes.

by the bank, financial institution or stockbroker with whom the bonds are lodged.

In order to attend or be represented at the meeting, holders of bonds must deposit, at least five clear days prior to the meeting at the head office, the certificate of deposit, issued

74, avenue Fernand Lefèvre, 78300 POISSY Substitute of Mme de la TAILLE

12, rue de Phalsbourg, 75017 PARIS Substitute of M. PETARD

• The report of the Board of Directors.

M. Eric FOREST

M. Frédéric BOBO

AD [FOLD BACK SO 'K' MEETS 'B']

(FOLD BACK SO'A' MEETS 'B')

GOSH! FIRST HAVE LOTS OF FOOD PRESENTED NICELY IN BUFFET STATIONS **GET YOUR AUDIENCE TO WAIT... RIGHT** TO THE END, THEN MAKE YOUR POINT.

No-one gets yo clearer than us. Whether it's presentation or a th We use house graphics or even If it's a bold typ can help. We're the Prese Phone us on

And your next

fold under pressure.

ur message across

a short sharp ree day event. styles, new styles, music.

e or a bold tie, we

071 831 3630. presentation won't

ntation Company.

THE PRESENTATION, SLIDES, MUSIC, LIGHTING, SPEECH, GRAPHICS, CONSULTANT COMPANY

COMPAGNIE GÉNÉRALE D'ÉLECRICITÉ Corporation organized under French Law (Société anonyme Head Office : 54, rue la Boétie - 75008 PARIS Registered Head Office : PARIS B 542 019 090 SECOND NOTICE

Due to the failure to reach the requested quorum for the General Meeting of the holders of 6 1/2% 1990-2000 Bonds of FRF 680 nominal value issued by ALCATEL ALSTHOM COMPAGNIE GÉNÉRALE D'ÉLECTRICITÉ convesed on June 11, 1993, the holders of these bonds are convesed to a new General Meeting to be held 50 rue Trabout · 75009 PARIS (France) on June 23, 1993 at 3.00 p.m., in order to deliberate on the same agenda similar as the one of the former General Meeting, namely: Board of Directors' Report.

Approval of the decisions proposed to the Mixed Meeting (Ordinary and Extraordinary) of shareholders, authorizing the board: to issue, with waiver of their preferential right:

bonds with share warrants.

Shares by proseptation of securities issued by companies in which ALCATEL ALSTHOM COMPAGNIE GENERAL D'ELECTRICITE owns directly or to use, in case of public offering to purch

Decision on the method of recording the documents of the General Meeting. order to permit the bondholders to attend, or to be represented at this meeting, Bonds or their deposit receipts, must be deposited at least five days before the date of the meeting, with one of the banks having participated in the placement of these Bonds and from whom proxies or admission cards can be requested. No quorum is required for

THE BOARD OF DIRECTORS

The Bear Stearns Companies Inc

Floating Rate Notes due 1994

For the three month period 15th June, 1993 to 15th September, 1993 the Notes will carry an interest rate of 3%% per unum with an interest amount of U.S. \$91.04 per U.S. \$10,000 Note payable on 15th September, 1993.

Bankers Trust Company, London

Agent Bank

U.S. \$200,000,000

DEVELOPMENT FUND OF ICELAND

(FRAMKV/AEMDASJODUR ISLANDS) ablished under the laws of the Republic of Iceland) U.S.\$35,000,000

Retractable at holders' option in 1995
Notice is hereby given that the Rate of Interest has been fixed at 5.25% and that the interest payable on the relevant Interest Payment Date December 16, 1993 in respect of U.S.\$100,000 nominal of the Notes will be U.S.\$2,668.75.

Floating Rate Notes 1997

June 16, 1993 By: Citibank, N.A. (Issuer Services), Agent Bank CITIBAN(

Interest Amount per U.S. 550,000 Note due 18th September 1968 U.S. 6670.83

Credit Sulare First Batten Limited

Class B
Mortgage Backed Floating Rate
Notes due March 2021
For the Interest Period from
June 14, 1983 to September 14,
1983 the Note Rate has been determined at 8 8375%, per arrange. The

£5,500,000

nined at 8.8375% per annum. The interest payable on the nelevent Interest payable on the nelevent Interest payment data, September 14, 1993 will be £1,723.42 per \$100,000 nominal amount.

Anv other business.

Caisse Nationale des Télécommunications

due 1997

for the Interest Period 15th June, 1993 to 15th September, 1993 the Bonds will carry a Rate of Interest of 7.3789 per cent. per annum with a Coupen amount of FF 188.57 per FF 10,000 Bond

U.S. \$400,000,000



THE BOARD OF DIRECTORS

Santander Financial Issuances Limited (Incorporated in the Cayman Islands with limited liability)

Subordinated Undated Variable Rate Notes with payment of interest subject to the profits of

Banco Santander, S.A. (Incorporated in Spalin with limited liability Notice is hereby given, that for the Interest Period from June 16, 1993 to September 16, 1993 the Notes will carry an Interest Rate of 4.125% per annum. The amount of Interest payable on September 16, 1993 will be U.S. \$2,635.42 per U.S. \$250,000

By: The Chase Manhattan Bank, N.A. London, Agent Bank

CHASE

Univision Television Group, Inc.

Offer for Ali Outstanding Privately Placed 111/1% Senior Subordinated Notes due 2001 In Exchange for 11%% Senior Subordinated Notes due 2001 Registered with the Securities and Exchange Commission

Univision Television Group, Inc. hereby gives notice of its offer, upon the terms and conditions set forth in the Prospectus and the Indenture, to exchange an aggregate principal amount of up to U.S. \$140,000,000 of 11% Senior Subordinated Notes due 2001 registered with the Securities and Exchange Commission ("New Notes") for like principal amount of its issued and outstanding privately placed 11% Senior Subordinated Notes due 2001 ("Old Notes"). To make such an irrevocable exchange, Holders should obtain an Exchange Notice from the offices of any Paying Agent, return a completed Exchange Notice with their Old Notes (with all unmanured Completed Exchange Notice with their Old Notes (with all unmanured Completed Exchange Notice of Replace Tours) completed Exchange Notice with their Old Notes (with all unmarured coupons apperraining thereto) to the office of Bankers Trust Luxembourg S.A., 14 Boulevard F.D. Roosevelt, Luxembourg L. 2450 on any day from and including 18th June, 1993 to and including 16th August, 1993 (the "Exchange Period"). New Notes will be issued promptly upon acceptance of Old Notes. The Exchange Period will close at 17.00 hours acceptance of Old Notes. The Exchange Period will close at 17.00 hours Luxembourg time on 16th August, 1993. Univision Television Group. Luxembourg time on 16th August, 1993. Univision Television Group. Luxembourg time on 16th August, 1993. Univision television Group. Bankers Trust Luxembourg S.A. at their earliest convenience.

Holders may obtain from the offices of any Paying Agent a Prospectu further detailing the Exchange Offer.

Bankers Trust Company, London Agent Bank

Notice of Early Redemption BANQUE NATIONALE **DEPARIS** USD 600,000,000 Partly Paid Registered Floating Rate Notes Due 1995

Floating Rate Notes Due 1995 Notice is hereby given that pursuant to paragraph (a) of the Condition Cancellation ("Optional Cancellation and Redemption") of the terms and conditions of the Bonds, BNP has called for cancellation and redemp-tion on the next interest Payment Date falling on 21st July 1993 ("The

Date falling on 21st July 1993 ("The Cancellation and Redemption Date") all the outstanding Bonds, at par. The Bonds will cease to accrue interest on the Cancellation and Redemption Date. Payment of principal and accrued interest, if any, will be made to the persons shown on the register by transfer to the dollar account specfied by the holder.

Fiscal Agent, Registrar and rsca agen, register on Transfer Agent Benque Nationais de Paris (Lucembourg) S.A. 24 Boulevard Royal L-2952 Lucembourg

Luxembourg, 16th June 1993

U.S. \$200,000,000 MARINE MIDLAND BANKS, INC. Floating Rate Subordinated Notes Due 2000

16th June 1983 18th September 1983

HMC MORTGAGE ASSETS 102 PLC

By: The Classe Manhatton Bank, N.A. Loedon, Agent Bank June 18, 1993

FF 2,000,000,000

Floating Rate Bonds Notice is hereby given that

and FF 1,885.72 per FF 100,000 Bond. The relevant Interest Payment Date will be 15th September, 1993.

Bankers Trust Company, London



and secured by a subordinated deposit with

principal amount of Notes.

Dollar sector provides focus of attention

BORROWERS scurried to the dollar sector of the Eurobond market yesterday, launching a total of more than \$1.2bn in new bonds.

Some issuers were wooed into the market by the release

INTERNATIONAL BONDS

of favourable US inflation figures and dealers said the positive outlook was likely to encourage the launch of more Eurodollar deals in the immediate future, even though arbitrage opportunities were not

seen as especially attractive. Canada's Province of Ontario yesterday announced plans to issue a minimum US\$1bn global bond issue in the near future. LKB Baden-Württemberg, a state agency, is also

due to raise \$500m with an unusual Eurobond issue to be listed in both Luxembourg and

Singapore.

Nomura, the lead manager for the triple-A rated deal, describes the issue as a "hybrid dragon-Eurobond" given that it is targeted at Asian and European investors and will have an Asian co-management group. The bonds were being priced at the end of the Hong Kong business

British Gas International Finance returned to the dollar market with a \$250m, 10-year

The borrower has launched deals in the Eurosterling sector recently and has seen yield spreads narrow substantially. The bonds were priced to yield 34 basis points over the US Treasury, and traded at 32-33 basis points over later in the day. The bonds were swapped into fixed rate sterling.
Outside the dollar sector, the main talking point of the market was a successful FFr1.5bn deal from Nestlé Enterprises, the holding com-

BNP, the lead manager, claimed the yield spread at launch of 7 basis points over the French treasury bond is the issue. the "tightest spread do the French franc secto pany for the French operations recent memory.

rowed to 3-4 basis points, reflecting the very strong insti-tutional investor demand for

At one stage the sprea

| or" in | value as the main reason the tight pricing and g | for |
|--------|---|-----|
| d nar- | investor demand. | |

| Borrower US DOLLARS | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book runner |
|--|--------------|----------------|-------------------|----------------------|-------------|----------------|--|
| LKB Baden Württemberg Fin. | 500 | (8) | (a)R | Jul.2003 | 0.325R | | Nomura International |
| US West Communications | 300 | 5.625 | 99.908A 99.06R | Jul.1996 Jul.2003 | 0.3R | | Morgan Stanley Intl. BZW/ Goldman Sachs Intl. |
| British Gas Intil Finance Banco Cremi | 250 150 | 6,25 8,375# | 99.8826R | Jun. 1995 | 0.35R 18 | TOT (03170-03) | Santander Investment Bank |
| Toho Real Estate(b)(0 | 50 | 1 | 100 | Jul. 1997 | 2.25 | - | Dalwa Europe |
| Banco Bendelmantes | 40 | 10.25# | 99.9R | Dec.1995 | 1.15R | +601 (c) | Peribas Capital Markets |
| YEN Inter-American Dev. Benk | 40bn | 4.375 | 99.85A | Jun.1998 | 0.26R | +23(4.6%-96) | IBJ international |
| D-MARKS European Investment Bank | 500 | 8.375 | 101,57 | Jul.1998 | 1.825 | - | DGZ |
| FRENCH FRANCS Vesté Entreprises | 1,5bn | 6.5 | 99.834R | Jul.1998 | 0.25R | +7 (914%-98) | BNP |
| SUITLDERS SNS Groep | 250 | 7 | 100.9R | Jul 2003 | 0.3FI | +29 (c) | Bk. van Halten Labouchen |

Treasuries improve in wake of inflation data

By Patrick Harverson in New York and Peter John

US TREASURY prices firmed across the maturity range yesterday morning in the wake of another set of positive inflation

By midday, the benchmark 30-year government bond was up 🕹 at 104ᡱ, yielding 6.794 per cent. At the short end, the twoyear note was also firmer, up 🎎 at 100%, to yield 4.040 per

The long-awaited May consumer prices figures proved bullish for bond market sentiment. The Labor department announced that the consumer

GOVERNMENT **BONDS**

price index last month rose 0.1 per cent, and the core rate (excluding the volatile food and energy components) rose 0.2 per cent.

The data was slightly better than analysts had forecast, and following last week's smallerthan-expected rise in producer prices, will help ease investors' fears about resurgent inflation. In particular, the May numbers make it unlikely that the Federal Reserve will raise interest rates to curb inflationary pres-

| | | | : | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|
| FT FIXED INTEREST INDICES | | | | | | | | |
| | Jane 15 | June 14 | June 11 | June 10 | June 9 | Year ago | High * | Low * |
| Govt Secs (UK) Fixed interest | 95.54 111.90 | 95.57 111.87 | 85.37 111.85 | 95.36 111.81 | 95.32 1 10.99 | 88.74 104.37 | 98.04 113.83 | 93.28 108.67 |
| Basis 100: Government Securities 15/10/25; Fixed interest 1925. for 1933. Government Securities high since complision: 127.40 (9/1/55), low 49.18 (3/1/75) Fixed interest high since complision: 13.85 (3/4/55), low 50.35 (3/1/75) | | | | | | | 75) | |

| Fixed Interest high since | compliation: 11 | 13.83 (8/3/83), i | op 50.53 (3/1/75) | | |
|-------------------------------------|-----------------|-------------------|-------------------|--------------|--------------|
| | GILT | EDGED | ACTIVITY | | |
| indices* | June 14 | June 11 | June 10 | June 9 | Jone 8 |
| GRt Edged Bargales S-Day antrage | 84.7 84.7 | 79.7 R3.3 | 84.0 84.7 | 94.2 88.1 | 81.3 85.8 |
| * SE probable inclines robe | | | • | | |

sures in the economy, reducing much of the uncertainty that has dogged bonds for the past

Against this positive background, prices rose strongly in early trading. The initial gains. however, prompted some retail selling at the long end by midmorning as investors moved to take profits.

The short end of the market held on to most of its gains as big hedge funds loaded up on shorter-dated securities in the anticipation that short-term US interest rates will not be going

■ GERMAN government bonds fell yesterday as hopes of lower interest rates receded before today's repo announce-

The September bund futures fell 0.20 to 94.86 during official profit-taking following Monday's rally. In after hours trad-

ing, the contract recovered to

Sellers latched on to the Bundesbank's statement that today's repo rate would be variable. They inferred that the German central bank was not interested in steering the rate lower and that it would be held at 7.6 per cent again.

■ PROFIT-TAKING left its mark on French government bonds in early trading. But the rate cut apologists moved in later and countered the selling pressure to leave long-dated bonds marginally firmer.

The Bund-OAT spread narrowed to 18 basis points as investors moved along the French yield curve. The trend towards buying at the long end has prompted some concern trading, principally because of that the imminent auction of

BENCHMARK GOVERNMENT BONDS BELGIUM 9.000 08/03 112,0600 +0.020 7.250 08/03 98.5500 +0.050 7.46 8.000 05/03 105.2000 -0.150 7.15 7,41 ITALY 11,500 03/03 98,6800 +0,290 7,000 02/03 102,8900 6.58 6.71 NETHERLANDS 10.300 08/02 97,7299 -0.029 100-22 100-16 105-22 7.08 8.02 8.40 6.250 02/03 7.125 02/23

FFr15bn-FFr17bn of five-year bonds will see poor interest. especially as there is already supply pressure from the impending issue of the

so-called Balladur bonds. On the Matif, the June futures contract was four basis points higher at 118.70 by the official close and continued firmer in after-hours trading.

■ UK government bonds slipped before the chancellor's Mansion House speech on the economy. September gilt

7.23 7.35 7.42 8.75 04/03 99.8850 -0.090 6.76 6.87 6.78 11.89t 12.18 12.44 10.70 10.77 11.13 London closing "New York morning session Cores annual yield frictioning withholding tex at 12.5 per cent psyable by non-residents.) Technical Desiration of Technical Desiration (Technical Desiration)

futures lost most of the previous day's gains falling & to

The chancellor's commitment to low inflation will be encouraging to the bond market but there is unlikely to be a great deal to latch on to in what is now seen as a general appraisal of the UK's economic

Dealers will look to the release tomorrow of the latest unemployment data and expect a rise of around 10,000 against three months of falls.

Italy outlines a flexible approach to borrowing

Haig Simonian says one option is a global dollar bond offering as its plans get back on track

could be poised to issue one of the world's biggest global dollar bonds as borrowing gets back on track after political upsets and debt downgradings earlier this year.

However, Mr Mario Draghi, director general of the treasury, stressed that the bond was just one of a range of options currently being consid-

Italy's flexible approach has been reflected in the treasury's two latest deals. Last month, it launched an innova-tive swap offer, giving inves-tors in seven old Eurodollar bond issues the chance to exchange their paper for one of two new bonds, depending on maturity.

The deal, which raised around \$800m in fresh money thanks to new issues accompanying the swaps, was followed this month by a \$2bn issue of floating rate notes.

The two transactions showed that Italy's foreign borrowing plans, heralded by a DM5bn bond in late January, were back on track. When the D-Mark issue was launched, Mr Draghi said Italy hoped to raise between \$10bn and \$15bn on the Euromarkets this year, depending on market condi-

However, Italy's creditworthiness started to take a battering within days of the D-Mark deal as the widening political corruption scandal triggered a string of ministerial resignaAmato government's authority

into question. Political turmoil in turn raised uncertainties about Italy's ability to deal with its huge budget deficit, the core of its structural economic prob-

One reason for the republic's return to the Eurobond market after a two-year absence was to switch borrowing away from relatively expensive domestic lira deals. Since the Amato government had some success in cutting spending and raising taxes, servicing costs on the deficit now account for the bulk of the government's fund-

ing requirements. The political turmoil led to a volatile period in the domestic bond markets, which were additionally buffeted by the decision by Moody's, the US rating agency, to downgrade Italy's credit rating to Al from

However, there has been a marked return of confidence in recent weeks, which treasury officials say is not reflected in the ratings. The appointment of Mr Carlo Azeglio Ciampi, the former central bank governor, as prime minister convinced dealers further action would be taken to tackle the deficit. Meanwhile, recent referendum results suggest far-reaching political changes

are now under way. The decision to launch the bond swap was an attempt to sound out the market and

THE Republic of Italy tions and called the former tighten spreads," says Mr Alberto Giovannini, the Columbia University professor now working as a full-time adviser to the treasury. Although only about 10 per cent of the eligible bonds were exchanged for the new paper, Mr Giovannini said the treasury was pleased with the

results. "A lot of the professionally. held paper was locked up in asset swaps. And much of the retail sales had gone to Italian investors. who previously bought bonds free of withholding tax on the coupons," he

But Mr Giovannini stressed the treasury's objective was not to tease out the maximum amount of paper.

7 ith fixed and floating rate dollar issues and a large D-Mark transaction under its belt, the treasury is now about half-way to meeting its \$10bn-\$15bn borrowing goal for 1993.

Mr Draghi stresses the range is flexible. "We don't want to force anything down the market's throat," he says.

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Reduct

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"We're not pushing for tight spreads at any cost. We're looking for the equilibrium spreads in line with what the market will take." With the risk of political upsets still present and the rating agencies so far sticking to their guns, the Italians cannot afford to take a more aggressive posi-

UK building society in PIBS issue

NEWCASTLE Building Society, the UK's 25th largest building society, has placed its second issue of permanent interest bearing shares (PIBS), via Charterhouse Tilney, at the lowest yield spread over gilts yet achieved by any building

The £10m placement will be treated as core capital for building society capital ade-

quacy purposes.

The shares will pay fixed

interest of 10% per cent, yielding 240 basis points over the 9 per cent gilt due 2008. This represents a substantial reduction from the spread on Newcastle's first deal, launched last September at a yield margin of 360 basis points.

Spreads on PIBS issues have tightened substantially, partly due to unexpectedly strong demand from retail investors keen to buy relatively highyielding assets in the current low interest rate environment. The tightening of spreads is

stock in some issues, such as the first Newcastle deal, which is now trading at a spread of 203 basis points. A PIBS issue launched by the Halifax, the UK's largest building society. in January 1992 at a spread of 275 basis points, is now trading at a spread of 170 basis

Given that the principal amount invested in PIBS is never repaid, some dealers. think that spreads are now looking very tight.

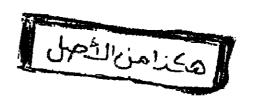
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Bradford Property falls to £21m | David Lloyd | Organic progress behind

By Vanessa Houlder, Property Correspondent

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Section 1

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BRADFORD Property Trust, the UK's largest tenanted residential property company, yesterday announced a fall in pre-tax profits from £23.1m to £21.1m for the 12 months to

The total dividend is increased by 21 per cent from 4.45p to 5.4p with a recom-

mended final of 3p. The dividend is increased to a level that matches the surplus from property rentals after payment of tax and preference dividend.

The company's business centres on buying tenanted properties at a discount to reflect the statutory rights of sitting larger rent increases tenants under the Rent Acts

The interest chi and selling them with vacant possession.

Since the 1988 Housing Act, the company has been able to let property that becomes vacant free of rent controls. About 90 per cent of its portfolio is currently subject to rent

Dealing profits were down, from £12.2m to £9.45m, reflecting the state of the housing market over the last year. However, the surplus from property rentals increased from £9.79m to £11.8m.

This partly reflected acquisitions of new property, including a portfolio from Asda Prop-erty. It also resulted from

The interest charge was £1.76m, against a credit last time of £15,000. That reflected the acquisition of property worth about £60m during the past two years.

Earnings per share fell from 10.76p to 9.87p. Net asset value per share fell from 175p to

• COMMENT

The City was prepared to over-look Bradford's fall in profits yesterday in favour of its exceptionally strong dividend prospects. This year's 21 per cent dividend increase may be followed by increases of between 15 per cent and 20 per cent for the next couple of

years, as rental surpluses swell. In addition to rent rises in its existing portfolio, the company may benefit from

more acquisitions. With gearing of 15 per cent, the company could, in principle, sink another £100m into new acquisitions. But like the property sector as whole, the shares are probably due for a period of consolidation. The shares, which yesterday dipped from 197p to 192p, are trading on a 7 per cent premium to assets, assuming a rise in net asse value to 180p next year. But taking a long term view, the shares should prove a rewarding play on an improvement in

the residential property mar

Leisure beats **forecasts**

DAVID LLOYD Leisure, the tennis court and health club group that floated earlier this year, exceeded its forecasts by returning interim profits ahead 84 per cent.

Pre-tax profits jumped from £1.06m to £1.94m on sales up 33 per cent at £8.75m. The large increase resulted from the inclusion of five new tennis and fitness centres that were not on stream in the first half of last year.

Mr David Lloyd, who launched the group after run-ning similar centres in North America, said the group was ahead of schedule for the opening of its latest club in Glas-

Profits from existing clubs grew by about 7 per cent, beld back by less than usual growth in profits from bowling. Mr David Gray, finance director, said the main growth would continue to come from the introduction of new centres which brought with them an immediate increase in memberships. The group plans to introduce two new clubs a

Earnings per share rose from 2.8p to 4.1p. As forecast there will be no interim dividend; first payment will be at the end of the first full year. Mr Lloyd said that profits were normally heavily skewed towards the second half of the year but, because of the introduction of the new centres,

this year. Nevertheless, the group was on target to hit the £5.5m pretax profit forecast made at the time of the flotation.

that would not be so marked

Volex advance to £7.3m

VOLEX GROUP, the electrical interconnection products company whose chief executive was headhunted by Farnell Electronics in May, doubled profits in the year to March 31. The shares rose 18p to 405p.

The rise from £3.68m to £7.34m was struck on turnover up from £81.8m to £106.1m. Mr Ken Hooper, finance director, said it was difficult to say how much of the advance was organic growth and how much derived from acquisitions because of the way the new companies had been woven into the group. However, Mr Bill Goodall, chairman, said that the result contained a "good amount" of organic prog-

During the year, Volex spent £8.5m on acquisitions. It added Icontec in July 1992 and Com-

ponent Manufacturing Systems in January 1993 to its Cable Products operation in the US. In October 1992 it also bought a 60 per cent stake in Mayor, the Singapore-based maker of data and power cord

Guided by Mr Howard Poulson, the outgoing chief execu-tive described by Mr Goodall as "a good strategic thinker", Volex has become a worldwide supplier of cable assemblies to the computer, medical and instrumentation markets.

Mr Goodall said this global strategy was a lesson learned from the wiring systems side, which supplies the automotive industry. Here Volex has withdrawn from supplying volume opted for global suppliers and has instead targeted markets such as off-road and agri-

specialist cars, Rolls-Royce and Aston Martin. The division is being restructured and the St Helens factory was closed. There was also a £654,000 bad debt provision from Leyland DAF taken as an exceptional

charge. Some 40 per cent of the growth at Pencon, the UK maker of power cords, was organic, the company said, and £3m of the group's £7.8m capital expenditure allowed capacity to be increased. Legislation for the pre-fitting of plugs to electrical appliances is expected this year.

January's £17.5m rights issue helped increase shareholders funds to £38.7m (£29.5m) and at the year-end, Volex had net positive funds of £5.9m. The final dividend is lifted to 11,35p for a 17.85p (17p) total, payable from earnings of 22.5p (14.9p)

Johnson Fry launches utility trust

By Philip Coggan, Personal Finance Editor

JOHNSON FRY, the financial services company best known for its business expansion schemes, is launching its first investment trust. The Johnson Fry Utilities Trust will buy shares in privatised water, electricity, telecommunications

and gas companies. The trust will have a split capital structure with ordinary income and zero dividend preference shares. The zeros will have first claim on the assets of the trust and will grow at a rate equivalent to a gross redemption yield of 9 per cent per year over the trust's 10

The income shares will receive all the dividends and the remaining assets after the zeros have been repaid. The initial gross yield on the income shares is expected to be 9 per cent. Assets will have to grow at 3.7 per cent per year for the income shares to be repaid at their issue price of

Some 75 per cent of the portfolio will be in utilities. The remaining 25 per cent will be invested in irredeemable preference shares, to help boost the overall yield. Further income will be earned by writing call options against part of the trust's utility holdings.

The trust aims to raise £40m.

dividend preference shares. The issue expenses have been capped at 4.2 per cent and the the manager's annual fee will be 0.5 per cent of assets.

Applications must be for a minimum of £3,000. Those who opt for the income shares can place them in a personal equity plan for an additional charge of £30 per year.

There is also the facility for a share exchange for those who own shares from previous privatisations. The trust will buy shares at the bid price at no dealing charge. Any exchanges, however, must be made on top of an additional cash investment of £3.000.

The trust aims to raise £40m, including £10m worth of zero

The issue is sponsored by including £10m worth of zero

Smith New Court and will

close on July 6 (for income shares) and July 8 (for zeros). COMMENT

A portfolio of utility shares is

such a natural choice for private investors that it is surprising no-one has launched an investment trust in this area before. The question is whether utilities have had such a good run that the trust is being launched at the top of the cycle. Certainly, with 25 per cent of the portfolio in preference shares, prospects for capital growth may be limited, given that income holders already need 3.7 per cent annual growth in assets just to get their money back. That said, the recent falls in interest rates have created demand for high-yielding equity investments and this ought to be safer than most. The zeros, which yield 9 per cent and are well covered, may be especially appealing to higher rate tax-

Aer Lingus may cut 1,000 jobs

cultural vehicles, sports and

By Tim Coone in Dublin

FÜRTHER management changes have been announced at Aer Lingus, Ireland's lossmaking state airline, in the lead-up to a substantial rationalisation plan which was discussed at cabinet level yester-

This is expected to be unveiled by the government before the end of the month. No official details have been released but the plan is thought to include voluntary redundancies of up to 1,000 out of 13,000 employees worldwide and reorganisation and possible closure of some loss-mak-

ing routes. Mr Peter Owen, appointed

chief executive three months ago, said the new management structure is "designed to give the necessary leadership and impetus to the major programme of change that lies

ahead." Other changes are thought to include revision of the fare structure, the sale of certain non-core assets such as its UK hotel chain, and a link-up with an overseas airline. Included also is a probable abandon-ment of the controversial "Shannon stopover" which obliges all transatlantic flights in and out of Ireland to stop at Shannon, in the west of

Ireland. Few of the company's 43 routes are thought to be profitable at present. Losses are expected to reach I£90m (£88m) this year, adding to a debt estimated at close to I£600m.

The government has promised an equity injection, thought to be in the region of I£120m, as long as the company's management comes up with a viable recovery plan. A previous plan, presented by Mr Cathal Mullan, Mr Owen's predecessor, was rejected by the govern-

The Aer Lingus unions are warning that they will oppose any sell-off of company assets. Mr Peter O'Sullivan, the civil aviation representative for Siptu. the airline's principal union, said "we are heading for

Reduction in fee income leaves . AJ Archer £0.3m in the red

By Richard Lapper

A FALL IN fee income from its syndicates pushed AJ Archer, the Lloyd's agency, into the

red at the interim stage. Pre-tax losses for the six months to March 31 of £292,000 compared with profits of £267,000 last

Capacity of the group's syndicates fell from £368m in 1992 to £201m. Profit commission on the syndicates in the 1990 year fell to £300,000 compared with £700,000 in 1989.

Losses per share were 1p, against earnings of

0.7p. The interim dividend is cut to 0.5p

The group also announced the completion of its agreement, originally announced in March, to buy Castle Holdings, a rival Lloyd's agency. Consideration is 11.2m new shares – valued at £5.2m - and options over a further 1.27m

In addition, the vendors will be entitled to receive 50 per cent of the aggregate profit commissions attributable to Castle's syndicates for underwriting years from 1990 to

This notice is issued in compliance with the requirements of The International Stock Exchange of The United Kingdom and the Republic of Ireland Limited (the "London Stock any securities. Application has been made to the London Stock Exchange for admission to the Official List of all the Zero Dividend Preference Shares of 1p each to be issued by the Company. It is expected that admission will become effective and that dealings in the Zero Dividend Preference Shares will commence on 23rd June 1993.

-River&Mercantile= Extra Income Trust PLC____

(Incorporated in England and Wales under the Companies Act 1985, Registered Number 2421217)

Open Offer

to Shareholders and Warrantholders

10,000,000 Zero Dividend Preference Shares at 100p per share

Share Capital (following the Open Offer)

52,000,000 520,000

Ordinary Shares

37,142,982 371,430 10,000,000 100,000

Zero Dividend Preference Shares 100,000 10,000,000

River & Mercantile Extra Income Trust PLC was formed in 1989 to provide high and growing income together with capital appreciation. Listing particulars relating to the Company are available and may be obtained during normal business hours on any weekday, (Saturdays and bank holidays excepted) up to and including 30th June 1993 from: -

River & Mercantile Extra Income Trust PLC, 7, Lincoln's Inn Fields. London WC2A 3BP

S.G. Warburg Securities Ltd., 1 Finsbury Avenue, London EC2M 2PA a member of the Securities

and Futures Authority Copies of the listing particulars are also available (by collection only) from the Company Announcements Office, the London Stock Exchange, the London Stock Exchange Tower, Old Broad Street, London EC2N 1HP, up to and including 18th June 1993.

16th June 1993

THE "SHELL" TRANSPORT AND Trading Company,

plc Notice is hereby given that a balance of the Register will be struck on Friday, 2nd July, 1983 for the preparation of the halfyearly dividend payable on the SECOND PREFERENCE SHARES for the six months ending 31st July, 1993. The dividend will be paid on 31st

For Transferees to receive this dividend, their transfers must be lodged with the Company's Registrar, Lloyds Bank Pic. gistrar's Department, The Causeway, Worthing, Wast Sussex, BN99 6DA, not ater than 3.00 p.m. on riday, 2nd July, 1993.

adne. 551 72A

SCOTLAND INTERNATIONAL FINANCE BV. US\$50,000,000

1444% Guaranteed Fixed/Floating Rate Notes 1996.

For the six months from 16th June 1993 to 15th December 1993 inclusive the Notes will carry an interest rate of 54% per annum.

The relevant interest payment date will be 16th December 1993.

Coupon 12 will be for US\$26-69.

Agent Bank Barclays Bank PLC Barclays Global Securities Services

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FKI rises to £38m as refocusing progresses

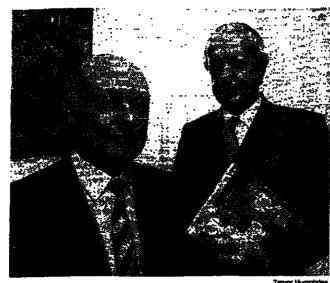
FKI, the electrical engineering group which has seen its shares nearly triple in value in the last 18 months, confirmed that it was making progress in focusing the business.

Pre-tax profits increased from £20.7m to £38.1m in the year to March 31, although the increase was flattered by the adoption of FRS 3, which moved £9m of extraordinary charges above the line last

Turnover rose from £739.1m to £756.1m and earnings per share increased to 6.2p (2.65p). Before FRS 3, the previous year's figure was 4.88p, so underlying earnings growth was 27 per cent. A final divi-dend of 1.8p gives a total of 3p (2.3p), up 30 per cent.

The profits figure was struck despite £5.4m of reorganisation costs. The workforce was reduced by 1,000 to 11,800 and is likely to fail to about 11,000 in the current year, during which which a similar level of reorganisation costs will be

Mr Jeff Whalley, chairman, said: "These are excellent results achieved against a background of continuing tough market conditions in our main markets in the UK and North America and reflect solid progress in improving profitability and restructuring the businesses. I look forward to the future with confidence."



Bob Beeston, left, and Jeff Whalley: improving profitability against background of continuing tough market conditions

FKI has sold half of the £40m of assets it last year identified as non-core. Considerable progress has been made in improving profitability across the group, with operating margins on continuing activities up

from 4.5 to 5.9 per cent. Four of FKI's five trading groups – material handling, hardware, automotive and engineering - improved results, with automotive returning to the black. The exception was process control, which saw operating profits fall from £8.8m to £5.2m. More

DIVIDENDS ANNOUNCED

Olividends shown pence per share net except where otherwise stated. †On Increased capital. §USM stock. §Irish pence.

Aug 19 Aug 6 Sep 6

than a third of the total reorganisation expenditure was directed at process control, which the group said would achieve much improved results in the current year.

So far, so good. Mr Bob Bees-

ton, who was brought in from BTR at the beginning of last year as managing director, has been rewarded with the post of chief executive for his success in slashing costs and pricing more aggressively. Unfortunately, the three groups with most potential - hardware. materials handling and automotive - are all mainly in the US, so FKI may be tempted to go for a significant business in the UK. Analysts would welcome bolt-on acquisitions to exploit excess automotive capacity. However, they would be less keen on a large paperfunded acquisition. Forecast earnings of about £50m put the shares, down 3½p to 138p, on a prospective multiple of 17. FKI's confidence in the scope for enhancing margins to more than 10 per cent bodes well for the long term. But after such a good run, the shares may mark time until acquisition inten-

Share shops role in BT sale promoted

By Roland Rudd

THE GOVERNMENT is encouraging share shops to target BT shareholders and employees in a move to deflect criticism of its handling of the

BT sale. Some of the 150 share shops have complained that the government has marketed its own share information office number at their expense in the run-up to the sale of the gov-erument's remaining 21.9 per cent BT shareholding.
Of the 1.8m potential inves-

tors only 700,000 have chosen to register through a share

nop. Mr James Sassoon, director of SG Warburg, the govern-ment's global co-ordinator. aid: "Share shops may want to focus on converting the 2.4m pre-registered shareholders from the share information office into share shops so that they do not miss out on top level preferences in alloca-

The government's advisers are suggesting that share shops could target their advertising towards BT shareholders and employees.

Two of the share shops vesterday questioned how they could get a list of the BT shareholders without the help of the company or the govern-

However, Mr David Jones, chief executive of ShareLink. whose shareholders include Foreign & Colonial Ventures and Eagle Star, said: "No one should expect the government to facilitate contact between BT employees, shareholders and share shops.

Big shareholders yesterday said they did not expect to pay more than 10p a share above the price for retail investors on the first instalment.

The government will announce the price of the first instalment for the international offer on June 29. The first payment for the retail investor has been set at 150p. The second instalment, set at 140p, and the third, to be determined by the demand from big shareholders, will be

Spurs score series of own goals Richard Gourlay and Paul Taylor on the Tottenham boardroom clash T IS a rare chairman of a public company who

openly admits to knowing nothing about the service he provides his customers.

Mr Alan Sugar, chairman of Tottenham Hotspur Football Club, cheerfully admits he knows nothing about football. Furthermore, having on Mon-day successfully won a High Court judge's backing to sack Mr Terry Venables, the chief executive, he says he will con-tinue to keep his "nose out of football

Mr Venables, a notable footballer and on-the-field tacti-cian, knew nothing about running a business, according to Mr Sugar.

The two should have made a great team. But as Mr Sugar's decision to sack Mr Venables clearly demonstrates, the club's two largest shareholders have strung together little more than a series of own goals over the past month. Yesterday Mr Venables, who

continues to hold a 22 per cent equity stake in the north London soccer club, remained publicly defiant, but nevertheless ared to be somewhat on

Scribes West, his private members club in the basement of Barkers store in Kensington High Street, he defended his record at Spurs and attacked Mr Sugar for his "unfounded accusations" and "innuendo."

He professed to be determined to go ahead with a court bid to force Mr Sugar to sell him his 48 per cent stakehold-ing despite Monday's High Court setback.

"The real issue is to get Alan Sugar to sell his shares in the Plc," he said but declined to identify his financial backers "I cannot say who my backers are," he said, "these people do not want to be dragged into

By contrast, Mr Sugar, speaking from the White Hart Lane headquarters he now dominates, appeared relaxed and dismissive of Mr Venables' rearguard action. "That game is over," he said.

r Sugar faces, however, a significant challenge. It is unlikely he has ever had to deal with a more volatile clutch of assets - some of

At a press conference held in whom have requested a transfer to other clubs. Nor will be have seen a more fiery customer base - although he says sales evaporated at Amstrad in the late 1980s when IBM overnight cut its prices on personal computers.

Mr Sugar was most dismissive of the threat of a player boycott. He said no players were currently up for sale. Requests for transfers from Neil Ruddock and Nick Barmby had been rejected. Ray Clemence and Doug Livermore, the assistant coaches, would continue with day to day running of the team.

Buying and selling of players would resume, however, as a normal part of the close season

Mr Sugar saved his sweetest message, however, for the fans who appear to resent his early statements that a football club was a business which had to

"It has to be profitable and it is a business and I do have a lot of confidence in sport and leisure," Mr Sugar said almost apologetically. But "it has become close to my heart and I enjoy it tremendously. But that

will not make me go raving mad with my cheque book." By declining to get involved in the footballing side, Mr. Sugar has effectively spiked one of Mr Venables guns.

Ma

sked if he thought Mr Sugar was the best person to run Spurs Mr Venables said he did not think so and added, "he is going to have to rely on other people." And on the boycott? Mr Venables was careful to protect his stake in the club. Asked whether he was in favour of fans boycotting season ficket sales and about the rumours of mass defection by players, he said he wanted the club to "go forwards" and "do well" in order to protect his invest-

Just how badly his and Mr Sugar's investments have been damaged by the month long legal skirmish will probably only emerge once the season restarts.

However, Mr Sugar already has an answer if attendance is low. "If we are drawn against Oldham in our first home game I will use that as an excuse for

Alpine directors tell of Clive Smith and his family's part-ownership

By Peggy Hollinger and Catherine Milton

ALPINE (Double Glazing), the UK windows company which ceased trading in May, is part-owned by the family of Mr Clive Smith, the Midlands entrepreneur, Alpine directors told a packed meeting of angry creditors yesterday

Alpine is owned by Finchfleet, a Guernsey-based but British Virgin Islands-registered company. Finchfleet in turn is jointly owned by Finchley Investments, the offshore vehicle for Mr Smith's family interests, and Le-an Holdings, another offshore trust company. Finchfleet has waived all claims on Alpine in the last few

days, an Alpine director said. Mr Smith has been involved in the flotation of several natural resource companies, two of which are the subject of a Serious Fraud Office investigation. He recently narrowly avoided personal bankruptcy when creditors, owed more than £20m, approved his proposals for an individual voluntary arrangement.

Pearce & Sons, shares the same Irish address as Mr Kelvin Myles, who has administered some of Mr Smith's offshore interests. Mr Smith personally guaranteed the original purchase of Alpine out of administration in 1992.

Mr Robert Pollock, a director of Alpine, told the creditors meeting, which was attended by burly security guards, that he had received death threats.

He said lbex, the company which bought Alpine in 1992, had been the "undisclosed agent" of Finchfleet. Mr Pollock said: "Finchfleet is owned by

Finchley Investments and by Le-an which is owned by discretionary trusts." He initially refused to give further details but under intense questioning later admitted that Finchley is owned by Mr Smith's family interests. When questioned about whether Le-an was connected with his own family interests, Mr Pollock refused

Ibex - which later changed its name to

Alpine - bought the assets of the old Alpine for £1.1m on behalf of Finchsteet. Finchsteet then sold those same assets to Ibex for about £3m, the meeting heard.

Mr Pollock said he received faxed instructions from Finchfleet from time to time, although he and, later another director, Mr Robin Spiers, were responsible for

the day-to-day running of Alpine.

The formal statement of Alpine's affairs shows that it has assets of £1.2m and debts to creditors of about £4m, according to directors. However, the company was able to pay its insolvency practitioner, Mr Graham Wilson, who also acted for Mr Smith in his individual voluntary arrangement last month.

The meeting also heard that in the last 15 months the company has not paid any money to the Inland Revenue.

A creditors' committee was formed representing former employees, and the Inland Revenue. Mr Paul Snook, of Touche Ross, is also on the committee representing John Freckleton and Son.

last year

Notice of Special General Meeting

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

NOTICE is hereby given that a Special General Meeting of Scottish Equitable Life Assurance Society ("the Society") will be held at The Church of Scotland Assembly Hall, Mound Place, Edinburgh on 30th June, 1993 at 11.00 a.m. when the following resolution will be proposed as a special resolution:

SPECIAL RESOLUTION

THAT:

Ldn Civdeside §

- The Scheme for the transfer of the long term business (as defined in the Insurance Companies Act 1982) of the Society pursuant to Section
 49 of the Insurance Companies Act 1982 ("the Scheme") as set our in the document produced to the meeting and for the purpose of
 identification signed by the Chairman thereof and summarised in the Circular to members and policyholders of the Society dated 28th May,
 1993 be and is hereby approved and the Directors of the Society be and are hereby authorised and instructed to carry the same into effect
 with power to proper or make such amendments as may be presented as desirable to secure the order susceptioning the Scheme into effect. with power to agree or make such amendments as may be necessary or desirable to secure the order sanctioning the Scheme pursuant to Section 49 of the Insurance Companies Act 1982;
- The regulations of the Society set forth in the Schedule to the Scortish Equitable Life Assurance Society Act 1979, as amended ("the Regulations of the Society") be and they are hereby amended by the addition of the following paragraph (1A) of regulation 2 immediately following the existing paragraph (1) of regulation 2 in the following terms:
- "(1A) (a) to form or assist in forming and operating a company ("Scortish Equitable ple") and any other company or companies which may be required, for the purposes of giving effect to the terms of an agreement ("the Joint Venture Agreement") dated 20th April, 1993 and made between the Society and AEGON International B.V. as amended by a letter of agreement dated 21st May, 1993 between the said parties together with such other amendments as may be or may have been made in accordance with the terms of the Joint
 - (b) to transfer the business and undertaking of the Society to Scottish Equitable plc in accordance with the terms of a scheme ("the Scheme") pursuant to Section 49 of the Insurance Companies Act 1982 ("the 1982 Act") in the form of the draft document annexed to the Joint Venture Agreement, with such amendments as may be made in accordance with the terms of the Joint ent or as may be necessary or designable to secure the order sanctioning the Scheme pursuant to Section 49 of the (c) to do all such other things as the Directors of the Society consider necessary or desirable in connection with or for the purposes
- of the Joint Venture Agreement or the Scheme;"; and
- 3. Subject to and conditionally upon the Scheme becoming effective, the Regulations of the Society be and they are hereby amended as
 - 3.1 by the addition of the following regulation at the end of regulation 8: "8A. Notwithstanding any other provision of these regulations:
 - (1) such persons as any company ("the transferee company") to which the whole or a substantial part of the long term business (as defined in the insurance Companies Act 1982) of the Society is transferred under a scheme made pursuant to Section 49 of the Insurance Companies Act 1982 (the "Scheme") shall nominate by notice in writing to the Society from time to time shall become members of the Society at the time the Scheme becomes effective or, in the case of persons nominated in writing after the Scheme becomes effective, at the time of receipt by the Society of the relevant notice in writing; and
 - (2) the membership of each person who becomes a member pursuant to paragraph (1) of this regulation shall subsist until such time as the transferee company in question gives notice in writing of the cessation of that person's membership to the Society."; 3.2 by the addition at the end of paragraph (1) of regulation 11 of the words:
- "or the liabilities of the Society under the assurance cease to be liabilities of the Society by virtue of the coming into effect of a scheme made pursuant to Section 49 of the Insurance Companies Act 1982 for the transfer to any other company of the whole or a substantial part of the long term business (as defined in the Insurance Companies Act 1982) of the Society"; 3.3 by the addition of the following regulation at the end of regulation 17:
- "17A. Notwithstanding any other provision of these regulations, notice of the holding of any annual or special general meeting may be given to any member in writing and may be served on or sent to such member in accordance with regulation 105";
- 3.4 by the deletion of the first sentence of regulation 19 and the substitution of the following therefor: "Two persons entitled to vote upon the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a corporation or body which is a member shall be a quorum for general meetings";
- 3.5 by the addition of the word "or" at the end of paragraph (2) of regulation 26 and the addition of the following paragraph immediately following paragraph (2) of regulation 26: "(3) is a member by virtue of regulation 8A"; and
- 3.6 by the deletion of the first sentence of regulation 40 and the deletion of regulation 41(1)(a).

BY ORDER OF THE BOARD Roy Patrick Secretary

Principal Office 28 St Andrew Square Edinburgh EH2 1YF

Any member of the Society entitled to attend and vote at the Special General Meeting is entitled to appoint another person (who need not be a member of the Society) as his proxy to attend and, on a poll, vote instead of him. A proxy who is not himself a Voting Member is not entitled to speak except to demand or join in demanding a poll.

- To be valid, an instrument appointing a proxy (which must be in writing) must be in the usual common form or in any other form which the Directors of the Society may accept and such instrument, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited at the principal office of the Society not later than 11,00 a.m. on 28th June, 1993.
- Members intending to attend and vote personally are saked to bring with them details of their policy number(s) and some means of identification. On arrival at the meeting, please register with the officials who will be at the door. Registration will commence at 9.00 a.m. Copies of the Circular to members and policyholders of the Society dated 28th May, 1993 are available, free of charge, at the Society's
- principal office stated above, to members and policyholders who have not already received a copy. 5. Copies of the Scottish Equitable Life Assurance Society Act 1979 and the documents setting out the Scheme, the Joint Venture Agreement and the report on the terms of the Scheme by an independent actuary referred to in such Circular are available for inspection at the Society's

27.27 27.27 27.27 27.27 27.27 27.28

This notice is issued in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange"). It does not constitute an invitation Application has been made to the London Stock Exchange for the grant of permission to deal in the Convertible Unsecured Loan Stock in Specialeyes plc, to be issued pursuant to the Placing and Open Offer, in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing. Dealings are expected to commence in the Convertible Unsecured Loan Stock on 25th June, 1993.

SPECIALEYES plc

(Incorporated in England and Wales under the Companies Acts 1948 to 1981 with Registered No. 1873281)

Placing and Open Offer

Greig Middleton & Co. Limited £1,554,953 of 10 per cent Convertible

Unsecured Loan Stock 2000 at Par

SHARE CAPITAL

Ordinary Shares of 2p each

fully paid £310,991

£460.800 On completion of the Placing and Open Offer the Company's authorised share capital will increase to £750,000. Full conversion of the Loan Stock would require the issue of a further 15,549,530 Ordinary Shares.

The principal activity of the Company is that of optical retailers.

Copies of the Circular dated 24th May, 1993 containing details relating to the Company, the Placing and the Open Copies of the Circular dated 24th May, 1993 containing details relating to the Company, the Placing and the Open Offer and particulars of the Convertible Unsecured Loan Stock may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 30th June, 1993 from the Company Announcements Office of the London Stock Exchange. Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, London ECN 1HP (for collection only) and up to and including 18th June, 1993 from the registered office of the Company at 167 Imperial Drive, Harrow, Middlesex HA2 7JP and from:

Greig Middleton & Co. Limited 66 Wilson Street London EC2A 2BL

16th June, 1993



Mass Transit Railway Corporation (A coperation emblished by the Mass Transic Railway Corporation Ordinance of Hong Keeg)

HIK\$3,000,000,000 (or an equivalent amount in U.S. dollars) Modium Term Note Programme HK\$40,000,000 Floating Rate Notes due 1995

Notice is hereby given that the HiBOR applicable to the subject notes for the period from June 15, 1993 to September 15, 1993 is 3,4375 p.a.. The inclusive rate is 3,6875 p.a. Coupon amount payable September 15, 1993 per HR\$500,000 note is HR\$4,647.26.

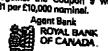
Morgan Oversely Trust Company of New York Hong Kong As HK Reference Agent JPMorgan

COMPANY NOTICES

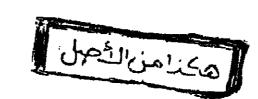


BRADFORD & BINGLEY £200,000,000 Rosting Rate Notes due 1995

in accordance with the tenns and conditions of the Notes, the interest rate for the period 16th June. 1993 to 15th September, 1993 has been fixed at 6.0625% per annum. The Interest payable on 16th September, 1933 against the Coupon 9 will be £152.81 per £10,000 nominal. בבק לאומי imuel Anad



APPOINTMENTS ADVERTISING appears every Wednesday & Thursday (UK only) and Friday (Int'l only)



CONT

LEGAL MOTIF

Pre-tax profits (£m)

Mandatory £87m bid for Watts Blake

By Andrew Taylor, Construction Correspondent

2.10 Dec

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WATTS BLAKE Bearne, a 280-year business based in Devon and the world's biggest supplier of ball clay, is in dan-ger of losing its independence following the launch yesterday

of a £87m bid. Sibelco, a privately owned producer of silica sand for the glass industry based in Bel-gium, is bidding 420p cash per share for the British group.

The offer failed to win unqualified approval from the City. "This is a quality company with a unique product and unique assets. The price does not reflect the true long-term potential of the group," said Mr Ian Hilliker, an analyst with NatWest Securi-

Watts Blake shares, however, failed to rise above the offer price, and later fell back

to 415p, a net gain of 24p. There is a loan note alternative on the basis of £21 for every five shares. The notes carry interest at 4.75 per cent and are redeemable at par in September 1994.

The bid was sparked by a decision earlier this year by Ceramics Holdings, controlled by the Lebanese Gargour family, to dispose of its 15.6 per

This triggered a concert party agreement under which Sibelco and Quarzwerke of Germany, each owning 14.8 per cent, were also required to put their stakes up for sale. The agreement also provided a formula allowing the partners to

buy each other out. The combined offer for sale lapsed last month leaving Sibelco free to launch its own bid yesterday.

Sibelco said yesterday it has arranged to buy the stakes of Ceramics and Quarzwerke. This would take its holding to 45.2 per cent, leaving it only 4.9 per cent short of winning

It said the Stock Exchange requirement to make an offer once the holding had gone

above 30 per cent was the impetus for the bid, rather than a desire to take over over

the company. "The purchase of the Ceramics stake really was a tidy up operation. Rather than have the stake overhang the market, we decided to buy it.

Sibelco intimated that it was still "early days" to say what it would do with Watts Blake if it acquired control. However, it had always held the current management of Watts Blake in high regard.

Heavy sticky ball clay, which once produced tobacco pipes, is used worldwide to manufacture ceramics such as sanitary ware, wall and floor tiles and table ware. The largest deposit in the world, found in Bovey Basin near Newton Abbot in Devon, has been mined by the

company since 1710. Watts Blake also owns extensive clay reserves in Germany and in the US where in 1989 it bought United Clays, the second biggest ball clay producer in that country.

The company generates 85 per cent of its sales outside the UK, and estimates that it provides clay for 40 per cent of the European sanitary ware mar-ket, a third of the US market and half of the Far East market. It also claims to supply a quarter of the European and

US floor tile market. Ceramics is thought to need new funds to support its other business interests; it has unconditionally agreed to sell its shares to Sibelco at the offer price.

Quarzwerke, a private company producing silica sand, has also agreed to sell its shares "subject to Sibelco's ability to purchase shares under the City

The concert party agreement, negotiated in 1990, armse after Sibelco and Quarzwerks acquired the 21 per cent holding in Watts Blake previously held by English China Clay. They subsequently increased their stake when Ceramics sold part of its holdings to the continental European companies.

Growth found in its customers' footsteps

Andrew Bolger on the strategy of Tibbett & Britten

OUTH AFRICA, Canada and have always kept in an eclectic group of countries for a UK distribution and and have always kept in touch."

Africa) was acquired. Tibbett's market countries for a UK distribution and lined this month when Tibbett warehousing specialist to choose for its overseas expan-

However, these varied territories are the focus for the rapidly growing international activities of Tibbett & Britten Group, the company previously best known for distributing garments in the UK for Marks and Spencer.

The common theme is Unilever, the Anglo-Dutch consumer products group which sold its stake in Tibbett to a management buy-out in 1984. The distributor has maintained a close relationship with its former parent, and Tibbett's es in the three countries all have their origins in

that connection. Mr John Harvey, Tibbett's chairman, said the overseas moves were in line with his group's strategy of following its multinational customers and then developing related business around these core contracts.

Mr Harvey was the director of Unilever who initiated the multinational's investment in Tibbett and led the management buy-out. He said: "We've got lots of buddies in Unilever

lined this month when Tibbett appointed Mr Michael Johnson. 59, as non-executive director. He had retired as head of information technology for Unilever in January, after 30 years. For

Tibbett's market capitalisation has grown tenfold since it came to the market in 1986, and has almost doubled since 1990. Last year it made a £31m rights issue to fund the acquisition of Silcock Express, a pri-

vate company which distrib-

Last year the UK generated more than 90 per cent of group sales, but by the end of this year overseas operations should account for more than 25 per cent

the last three years he had been responsible for Unilever's information technology policies, designed to take advantage of the capability of open

By maintaining Unilevertype reporting systems and financial disciplines, Tibbett has found it easy to do business with other multinationals.

This policy of establishing bridgeheads was clearly dem-onstrated in South Africa. Last June Tibbett paid Unilever £2m for SA Warehousing Services, which distributes throughout South Africa for Unilever and others. In November the total food distribution operation of Woolworth (South

utes motor vehicles in the UK, France, Belgium, Spain and

The deal added motors to the group's four existing distribu-tion specialities in fast-moving consumer goods, which include clothing and textiles, toiletries and cosmetics, groceries and DIY and electrical products.

Tibbett now operates in eight countries. Last year, the UK generated more than 90 per cent of group sales, but by the end of this year overseas operations should account for more than 25 per cent.

Despite this rapid spurt of growth Tibbett has made relatively few acquisitions. Its previous important deal was the

purchase of Lowfield, the grocery distributor, in 1989 for

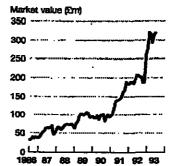
Mr Harvey said he preferred to grow business, rather than make acquisitions. His priority was now to infill in Europe behind the Silcock openings, particularly in France, Spain and Portugal. There were obvious gaps in Silcock's network, such as Germany and Italy.

The group also intends to reinforce its investment in Canada and South Africa. Mr Harvey said there were plenty of opportunities in North America, but he intended to stick to Canada until they had built a significant regional

On South Africa, he con-ceded: "It is an unstable area, there's obviously some risk. But if you're taking a medium to long-term view, places like South Africa and China must be considered."

Tibbett has moved substantially away from its dependence on Marks and Spencer, which generated 60 per cent of turnover at the 1986 flotation. Although the M&S business has since grown three-fold, it currently accounts for only 11 per cent of group sales.

Concern about preserving M&S's commercial confidentiality has prevented Tibbett **Tibbet & Britten**



from giving a detailed breakdown of its results by division, but it seems likely that it will

Despite what it described as "difficult trading conditions everywhere", Tibbett's sales rose 28 per cent to £231.8m last year. The group said 69 per cent of its growth was generated organically while 80 per cent of revenue was contractually based.

in future.

Development was particularly strong in the consumer and personal products divi-

Although trading continues to be depressed in the clothing and textiles division, Mr Harvey said he was happy to keep the Fashion Logistics network, the biggest single specialised clothing distributor in Europe. which supplies 35 per cent of

UK market outside the big chains. The Marks and Spencer business evolved out of the network, and it remains a potential source of separate dedicated distribution operations.

Clothing and motors offer the best hope of recovery and growth in the medium term. The group cites market research last year which forecast a 30 per cent increase in total new car and light vehicle registrations between 1992 and 1996 in the five countries where Silcock operates, with growth particularly in the UK, Spain and Portugal.

Mr Harvey is anxious not to raise expectations too much, but seems quietly confident about winning new business: "We have never been busier

(REVENUE FROM SALES OF PRODUCTS AND SERVICES: £1042M))
RETURN BEFORE EXCEPTIONAL ITEMS ROSE BY 21.1%
ON CAPITAL EMPLOYED INCREASED TO 22.4%

Profits up 21% to £55.1 million. What a pleasant expression.

Nor is it the only news from Dairy Crest to bring an upward curve to the lips.

Our borrowings fell by £31.6m, resulting in reduction in gearing from 49% to 33% as we further improved our financial strength.

Yet we still invested a healthy £30m to streamline and upgrade our facilities.

How do we do it? By producing the cream of dairy products. We make Clover, the market leader

in blended spreads.

We're a major long term player in the £3000m liquid milk market, serving shops, supermarkets and households.

Our dairy based ingredients make us a major UK supplier to the food manufacturing industry.

And, in the fast growing fromage frais market, we have a leading brand, Petits Filous, through our joint venture with Yoplait of France.

Enough to make anyone say cheese. Or, in our case, Stilton, Red Leicester, Cheddar, Double Gloucester... *Before exceptional items.

CONTRACTS & TENDERS

BUILDING OF A HOTEL FOR A MAJOR **AIRPORT**

Aeroporti di Roma S.p.a., the Company in charge of Rome's airport network, hereby announces its intention to offer to a subcontractor the direct management, including the design and construction, of a new first class (four-star, by Italian standards) hotel complex indicatively of 400 (four hundred) rooms, to be situated in the centre of Leonardo da Vinci Intercontinental Airport at Fiumicino, Rome.

Aeroporti di Roma reserves the right to select the most suitable candidates among the companies expressing an interest in this project.

Any hotel chains that may be interested should apply in writing, enclosing a general profile of their company and making specific reference to any hotels of at least four-star category, operated under a single registered name with international acclaim. These should be no fewer than 15 (fifteen) in number, and should have at least 250 (two hundred and fifty) rooms.

All applications, which shall in no way be legally binding on Aeroporti di Roma, should reach the following address at the latest by 10.00 hours on July 15, 1993:

Acroporti di Roma S.p.A. Ente Commerciale e Marketing Via dell'Aeroporto di Fiumicino 00050 Fiumicino Aeroporto (Fax 396/65953956)

> The Managing Director (Alberto Morandi)



LEGAL NOTICES

NORTHERN FEATHER INTERNATIONAL N.V.

erisads, the district Court of Rotterds dered that all claims against Northern Feather tional N.V. should be submitted to the colvers before 21st June 1993 and that the tering of creditors for the proof of claims shall e held on 20th July 1993, 14.00 hours at the siegel 117 in Rouerdean

No GUEL COL Venna 666, P.D. Box 190, Tel: 31.10.404.21.11, Page 31.10.404.23.33.

Monthal, and W.C. van Hassel

es will be held at Coopers & Ly Operations Read, Remand to the Creditors of Jame 1993 at 10.00 am. Creditors claims are wholly secured are not estimated as the meeting weed to us as me assured to the re-r then soon on Monday 28 June 1993, written the of the debts they claim to be due to them in the Company, and the claim has been duly about under the provisions of Rule 3.11 of the oder the provisions of Rule y Rules 1986; and b) there has been y coxy which the credito

Dated: |] Jame 1993 Stepart: | M fredale and & N | Vooglat



První brněnská strojírna Brno, a.s. ("PBS")

ABB Asea Brown Boveri

here formed

ABB První brněnská strojírna Brno s.r.o.

a new joint venture company which will take over the power plant, boiler and turline businesses of PBS

The understand acted as strategic aderser to PRS, and assisted in negotiations



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lasue of Warrants to Ordinary Shareholders to subscribe for up to 10,903,286 new Ordinary shares of 5p each at 175p per share in 1996 to 1998

Application has been made to the London Stock Exchange for the Warrants to be admitted to the Official List. It is expected that dealings in the Warrants will commence on 21 June 1993.

Copies of the Circular to Shareholders dated 29th April 1993 and the Stock Exchange amouncement of that date relating to the issue may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) from the Company Announcements Office of the London Stock Exchange, Stock Exchange Tower, Capel Court Entrance, off Bartholontew Lane, London EC2N 1HP up to and including 18th June 1993, and from the registered office of the Company at St Vincent's, Grantham, Lincolnshire NG31 9EJ up to and including 30th June 1993.

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16th June 1993



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> **LEGAL NOTICES**

PONDEURST LIMITED Formerly Mayflower Capital Mark Treasery Services Limited NOTICE IS HEREBY GIVEN Pur NOTICE IS HEREBY GIVEN Pursuant to section 98 of the Insolvency Act 1986 that a Meeting of Creditors of the above named company will be held at 1-11 Hay Hill, London, WIX 7LS, on 23 June, 1993, three 2.45 pm for the purposes mentioned in sections 100 and 101 of the said Act. David Lowe of Cooper Lancaser Brewers, Alwhych Honne, Aldwych, London, WCZB 4HN to a person qualified to not at an anolycincy practitioner in relating to the coupany what will during the period before the day of the meeting, farmals creditors free of charge with such information as they may reassessibly require. reasonably require. By Order of the Board Director 11 June, 1993

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COMPANY NEWS: UK

Manweb staying close to basics

By Michael Smith

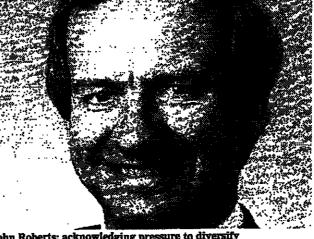
MANWEB, the electricity company which distributes in Liverpool and North Wales, yesterday re-affirmed its strategy of concentrating on its basic businesses as it announced a 15 per cent increase in dividends.

Acknowledging pressure from some City sources to use its low gearing to diversify, Mr John Roberts, chief executive, said: "We want to stay close to the core. We will resist the temptation to take on businesses we cannot manage sen-

Manweb is the only one of the 12 regional electricity companies which is not involved in building combined cycle gas

The total dividend increase from 18.25p to 21p for the year ended March 31 1993 was the latest in a series of double figure percentage rises among electricity companies. It was achieved on profits before tax of £111.2m, up 17 per cent on the previous £94.7m. Turnover was £919.9m (£834.6m).

Earnings per share rose 18 er cent to 69.3p (58.7p). The final dividend is 14.9p. Although distribution, the



main earner, saw profits fall from £106.3m to £101.4m, supply turned a £5.3m loss into a £6.9m profit and retailing converted a £2.1m loss into a

On the supply side, Manweb won back the custom of 38 local large consumers who chose in previous years to contract with other regional electricity companies after the lib-eralisation of the market for users of more than 1MW. It

customers outside the region. Mr John Astall, finance director, indicated the company had less to lose than other regional electricity companies from the further liberalisation of the market next year. He said only 9.5 per cent of its customers were in the section of the market where competition is being introduced (between 100kW and

1MW), whereas the regional

electricity companies average was 15.5 per cent. The company's drive to cut

staff has slowed, with only 100 jobs shed in the last year. However, it said profit per employee had improved by 15 per cent to £24,000 during the

Manweb aiready claims to have reduced staff by more than other regional electricity companies, with the total in the business now 4,350. Of these 3,465 are in the core business, a 25 per cent reduction on when the company was priva-The company plans to invest

£12.5m on a network management system which will monitor transmission equipment and switchgear automatically. It expects to save £3m to £3.5m a year when the system is fully running.

Mr Bryan Weston, chairman, said the annual report would show that executive salaries rose by about the cost of living

for the year just ended. The pay bill for all staff will rise by about 3.5 per cent as result of a deal being considered by union members. The basic increase is 2.85 per cent,

Coats regains control of Indian side

By Angus Foster

COATS VIYELLA, the textiles and clothing company, is taking advantage of India's relaxation of foreign investment rules by taking control of its Indian associate. Madura Coats. Coats has increased its stake in the com-

pany, which is to be renamed Coats

Viyella India, from 39.9 per cent to 51 per cent. The total investment of Rs604m (£12.25m) is payable in three tranches spread between now and next year.

owned until 1972 when the company was forced by changes in legislation to reduce its holding below 50 per cent. Following a relaxation of the rules on foreign share-

holdings, Coats applied last year for government approval to again increase its'

It will lift its holding through a preferential share offer at Rs65 a share, a steep discount to the recent market price of The Indian operations were wholly Rs275. The offer, which was approved by shareholders last month, will be followed by a rights issue next year at Rs30.

NEWS DIGEST

Sheriff recovers to £465,000

SHERIFF HOLDINGS, the USM-quoted plant hire group, reported pre-tax profits sharply higher at £465,000, compared with £161,000, in the six months to March 31. The shares closed 11p higher at

111p.
The result - achieved on turnover ahead 21 per cent at £5.7m - was achieved by strict financial control of the core business and recent acquisitions, said Mr Richard Dunn,

In December, the group raised £2.85m net of new equity and this, together with strong cash generation, virtually eliminated borrowings at the half year, said Mr Dunn. Gearing at to keep in line with earnings; March 31 was 2 per cent, compared with 48 per cent six months earlier.

The interim dividend is raised from 1p to 1.25p, payable from earnings per share of 3.5p

Wellman improves but cuts dividend

Without the burden of closure costs this time. Wellman lifted pre-tax profit from £231,000 to £681,000 in the year ended March 31. The dividend, however, is reduced from 2.2p to

Mr Geoffrey Iley, chairman of this specialist engineer, said activity in all markets was lower but the result was

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Bankers Trust Company, London

1,

broadly in line with expectations. Margins were under pressure and with no indication of an immediate upturn, the cost base would continue to be adjusted where neces-

The forward order book, he added, was higher than last year but prospective margins had been eroded. Turnover came to £23.7m

(£24m) and trading profit to £796,000 (£1.02m). There was a £250,000 provision for further rationalisation, while last year's extraordinary £817,000 for closure costs has been adjusted to above the line under FRS 3. Turnover included £1.87m

from acquisitions (£1.36m from discontinued operations) and the respective figures in the trading profit were £101,000 (£75.000).Earnings per share doubled

to 1p. The dividend is reduced the final is 0.6p.

Ldn & Clydeside in black at midway

London & Clydeside Holdings, the USM-quoted housebuilder operating throughout Scotland, turned round from a loss of £120,000 to a pre-tax profit of £34,000 in the six months to March 31.

Turnover fell to £8.47m. against £10.8m, which included a £2.5m property disposal. Operating profit was down to £522,000 (£697,000) because 1991-92 benefited from £220,000 from associates.

Net interest payable, however, dropped to £488,000 (£817,000).

The interim dividend is held at 1.8p, payable from earnings per share of 0.2p (losses 0.6p). House reservations in Janu-

ary, February and March showed considerable improve ment and although the monthon-month increase had reduced, there seemed to be an underlying recovery in the market, directors stated.

Although there were some modest price increases, it would be some time before that was reflected in unit margins.

High Gosforth Park losses cut to £21,000

Pre-tax losses at High Gosforth Park, operator of the Newcastle racecourse, were more than halved - from £46,000 to £21,000 - in the 1992 year. Last year there was an exceptional charge of £60,000.

The outcome was struck on turnover up £99,000 to £1.13m. However, the cost of sales increased by 13 per cent from £892,000 to £1.01m and at the operating level there was a loss of £62,000 against £29,000 last

Losses per share came out at 27.7p (82.9p) and there is no dividend this year - last year a final of 15p was paid.

Monarch Resources losses deepen

Lower gold prices and reduced output continued to affect Monarch Resources, the London-quoted mining and explo-ration company with activities in Venezuela, throughout 1992. The combination left the

Revemin processing plant with

19,680,000

1,500,000

WCIX DAP

Agent Bank

essociated spare parts and ancillary equipment.

losses of \$1.84m, against profits of \$186,000. Monarch's overall loss increased from \$2.94m to \$4.87m (£3.2m). Turnover fell to \$6.97m (\$9.25m).

Losses per share came out at 33.2 cents (20.6 cents).

F&C Smaller net assets advance 27%

Foreign & Colonial Smaller Companies lifted net asset value per share by 27 per cent - from 107.3p to 136.1p per share - over the 12 months to

The trust reported net revenue of £1.79m (£1.78m) for earnings of 1.98p (1.97p) per share. A proposed final dividend of 1.16p brings the total for the year to 1.84p (1.75p).

Melville Street net assets dip to 140p

April 30.

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Application has been made to the London Stock Exchange for all of the Ordinary 10p Shares in Somerset Trest PLC and the new Ordinary Shares to be issued pursuant to the acquisition, placing and rights issue (together, the "Proposala") to be admitted to the Official List, Dealings are expected to commence on Tucsday, 22nd June 1993.

Somerset Trust PLC

W be renamed

CRABTREE GROUP PLC

Acquisition of Crabtree Holdings Limited

Placing of 6,666,667 Ordinary Shares of 10p each at 150p per share

Rights Issue of 3,600,000 Ordinary Shares of 10p each at 150p per share

Deferred Shares of 90p each

The principal activities of the enlarged group are the design and manufacture of metal decorating printing presses, coaters and sheet metal feeders together with the sale of

Copies of using particulars resumg to me Company may be obtained during normal business hours on any weekday (Saturdays and public holistays excepted) up to and including 18th Jame. 1993 from the Company Announcement: Office of the London Stock Exchange, Stock Exchange Tuwer, Capel Court Entrance, off Bartholomew Lane, London EC2N 1HP (for collection only) and up to and including 12th July, 1993 from:

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Credit Lyonomis Lalog 5 Appold Street Broadwalk (Louse London

1,200,000

Melville Street Investments, an investment trust specialising in venture and development capital, saw net asset value fall 10p to 140p over the year to

Directors said the fall was largely attributable to the reduced value of one of the group's investments in the Lloyds insurance market.

Net revenue edged ahead to £800,758 (£790,887), equivalent to earnings of 4.3p (4.2p) per share.

A same-again final dividend of 2.5p maintains the total at 4p but directors warned that some reduction in the distribution may become necessary as the company becomes fully invested It currently has £3m on deposit.

confirms float plan

lamb and

som

DAIRY CREST, the milk and dairy products arm of the Milk Marketing Board, has confirmed its plan to float early

next year. It made the announcement when reporting a rise in pretax profits from £24.6m to £28.2m for the year to March 31, after exceptional restructuring costs of £26.9m (£20.9m). Mr Geoffrey John, chairman, said that there were still many unknowns in the flotation and the industry itself was under-

going far-reaching change. He said it was too early to be precise about the shareholde structure after the flotation, but that dairy farmers could hold about 70 per cent of the

capital.
The farmers will receive shares representing the free reserves" of the MMB, worth on average £8,000 per farmer. and will be offered shares or cash to settle their entitlement to the MMB's "rolling fund",

totalling about £60m. Dairy Crest also plans to raise new money and the group's market capitalisation could be about £250m. Schroders and Hoare Govett will be handling the flotation. .

Mr John Houliston, chief executive, said that Dairy Crest had achieved a great deal but still had much to do to succeed in the "new world". He said: "We have no illusions as to the nature of the chal-

lenge that awaits us."
He said that when the MMB was abolished next year, Dairy Crest's first duty would be "to buy milk on a very competitive basis". He added that Dairy Crest was not committed to buying from Milk Marque, the milk buying co-operative which the MMB is planning as

Group turnover was unchanged at £1.16bn, although Dairy Crest, which is the buyer of last resort under the existing milk scheme, had bought 5.5 per cent less milk as milk quotas reduced production. Prices of milk for manufacture rose 16 per cent. Operating profits rose from

£59.2m to £62.2m, with margins up from 5.6 to 6 per cent. Greater operating efficiencies were being achieved, Mr Houliston said. Staff had been reduced by 1,300 during the year, and by 30 per cent over the last three years. Capital spending was running at about £30m a year.

Interest charges were reduced from £14.4m to £8.3m, with about £1m of the fall coming from lower interest rates and the rest from the reduction in net debt from £101.1m to £69.5m.

The company announced a number of board appointments including Mr Graham Fish, as managing director of the dairies business. Five non-executive directors, with diary or commercial experience, will be appointed on August 1 in preparation for

the float. They are Mr Richard Fletcher, an MMB member, Mr Ronnie Frost, chairman of Hays, Mr Thomas Hugh Jones, an MMB member, Mr Paul Lewis, deputy chairman and finance director of Tate & Lyle, and Mr William Madders, a special MMB member.

WALES

The FT proposes to publish this survey on, July 30 1993. from its print centres

in Tokyo, New York, Frankfurt, Roubaix and London, It will be read by senior businessmen and government officials in 160 countries

worldwide. It will be of particular interest to the 130,000 directors and managers in the UK who read the weckday FT * If you want to reach this important.

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FT SURVEYS

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HE ECON

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Plan

Radical economic reforms introduced by the National party government have won glowing international approbation. The sacrifices which have been demanded of the ordinary citizen have led, however, to a sense of disillusionment with the political process, Kevin Brown reports

Sombre mood prevails

DECADE after their political leaders embarked on a process of radical economic reform. New Zealanders are divided about whether the benefits have outweighed the costs.

A substantial improvement in most economic indicators over the past year has given the country what the OECD calls its best opportunity for years to achieve a sustained return to real economic growth. That is something New Zealanders have not enjoyed since their egalitarian South Pacific paradise began to run into economic problems after the oil crisis of 1973.

The OECD and most other outside analysts have reported glowingly on the impact of tariff and subsidy reductions, widespread privatisations, monetary prudence and cuts in social programmes.

But the reforms are far less popular inside the country. Indeed, outside the ranks of the conservative National government, the national mood is sombre. Many observers say New Zealanders have never been so divided

The reason is the widespread perception among ordinary New Zealanders that they have borne most of the costs of the ing any tangible benefits.

Many also believe they were misled by both the 1984-90 Labour government and its National (conservative) successor about the difficulties involved in restructuring the economy. The result has been disillusionment with the political process among those who have suffered from the reforms especially unionised workers,

students, pensioners, and con-

sumers of state benefits.

Sociologists blame the dislocation caused by the reform programme for rising crime, growing poverty and increasing intolerance of Polynesian and Asian immigrants (though race relations are generally good). But the most dramatic result has been a surge in support for the replacement of the British-style first past the post (FPP) electoral system by a proportional system based on the German additional member system, known in New Zealand as mixed-member proportional

Mr Ken Douglas, president of the Council of Trade Unions (CTU) says New Zealanders are simply "fed up" with the political process, which many believe has allowed right wing groups in the main parties to hijack the country.

There is no fundamental belief that MMP is inherently a better system, but the present system has been disgraced pecause more than 50 per cent of people believe it is intellectually corrupt," he says.

"There has never been major-ity support for the things that have happened here, and people just don't accept the values which can justify the huge

violent and sexist society than we have ever been before, and much of that has happened because people have felt alienated from a political system which does not represent

So far, the main beneficiaries of the support for PR have been Mr Winston Peters, a dis-sident former National MP, and Mr Jim Anderton, a former Labour MP who now leads the Alliance, a populist coalition of

'Roger Douglas (Labour's if we took the hard decisions in the first 18 months of government then we would pick up the benefits in the last 18 months of the (parliamentary) term," he says. "But the short sharp shock has been going on for so long now that people are traumatised by it. It's like being in the dentist's chair for years - the pain goes on and on and there is no gain."

HE appeal of Mr Peters is more difficult to identify. He has built a large constituency by criticising his former government colleagues. and is said to be determined to become New Zealand's first Maori Prime Minister. Yet noone seems to know what he stands for, unless it is "old-fashioned, private enterprise, development oriented" pump priming, as the Wellington Evening Post put it in a recent editorial.

The minor parties' best chance of breaking the mould of New Zealand politics will come in a referendum on MMP

costs we have had to carry.
"We are a much more racist.

protest parties.

Mr Anderton's main theme,

that only a more consensual style of politics can reverse the continuing destruction of New Zealand's egalitarian heritage, has struck a rich vein of public support. He has also skilfully tapped public anger with both main parties by asserting that they have repeatedly misled the electorate about the scale and difficulties of the reform programme.



eat for the 1993 British Lions at Otago; despite its small population. New Zealand has been the most cor

to be held at the same time as the next election, due by November. If the referendum succeeds, as seems probable. MMP will be introduced for the subsequent election, due by 1996. If that happens, neither Labour nor National is likely to be able to form a future government without reaching a coalition agreement with at least one of the minor party groupings. In the meantime, opinion polls suggest that the Alliance could win a substantial number of seats in the next parliament, especially if it comes to an electoral agree-

Labour's response to the emerging political volatility has been to ignore it in the belief that traditional supporters will return to the fold when they enter the polling booths.

ment with Mr Peters.

Mr Mike Moore, the Labour leader, who was Prime Minister for eight weeks in 1990, has spent the 32 months since the last election distancing himself and the party from the 1980s.

Mr Moore's strategy has been to exploit the climate of bitterness about the decade of change by presenting Labour as the party which offers New Zealanders both credible economic management and a fresh start - "the great reforms of the 1980s were, in the main, necessary, but this is not the 1980s, and I am not going to be constrained by the legacy of

the 1980s," he says. Rhetoric aside, however. Labour has no intention of reversing the thrust of the restructuring. The party would retain the existing tight monetary policy favoured by the

operationally-independent Reserve Bank, and it would aim for even greater fiscal conservatism than that achieved by National. In the main, a Labour government would restrict itself to relaxing National's deregulation of the labour market, and reversing or amending the government's unpopular changes to the health system and social pro-grammes, which are intended

This policy moderation has been reassuring to the business and financial community, which has few qualms about the impact of a Labour government on New Zealand's ability to sustain the economic recovery. But there is little doubt that business would prefer to the re-election of the

to cut costs by improving tar-

National government, which has firmly committed itself to continuing to open up the economy and reduce the size of

NLY a month ago,

National looked unlikely to remain in office. However, recent improvements in the economy have triggered a rise in the government's poll rating which shows that the battle is not yet over. Ironically, the government is also seeking to exploit the dislike for change by presenting itself as the only party which will not plunge New Zealand into a further bout of reform - "we have two very substantial electoral cards to play. One is the recovery, and

the other is that we are the

only party which represents

continuity," says Mrs Ruth Richardson, finance minister. "The opposition parties are now the ones which are seen as the parties which are offer-

ing destructive change.' The key influence on the election may well be the Budget, due next month. While a give-away Budget is unlikely, both Mrs Richardson and Mr Jim Bolger, the Prime Minis-ter, have indicated that they want to extend the fruits of the recovery to ordinary New Zea-

Time is short, but if the government can do that, it may begin to heal some of the wounds which have so bitterly divided the country. In the long term, that will be

of more importance to New Zealanders than the colour of

THE ECONOMY: after a difficult decade, lower wage and interest rates are at last creating the conditions for sustained economic improvement

Exports put the bounce back

OPES are rising that the New Zealand economy is emerging from the stagnation of the last decade in good shape to enjoy sustained, if moderate, growth through the 1990s.

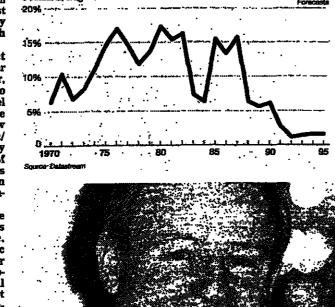
Gross domestic product (GDP) grew by 3 per cent over the 12 months to December, and is widely forecast to remain at about the same level for at least the next three years. Although relatively low by the standards of the Asia/ Pacific region, this is nearly triple the average rate of growth in the seven years since the country embarked on a radical economic liberalisa-

tion programme. Not everyone believes the worst is over. The Trades Union Council, for example. points out that gross domestic product remains little higher than the level reached in September 1986. "The National government spent the first year in office (1990/91) converting a stagnant economy into a contracting one, and the second undoing that damage," the CTU said in a recent submission to parliament. "The growth... is simply a bounce back from the pits of the middie of 1991, when the economy

plunged to a seven-year low." But, for the less pessimistic, there are plenty of positive indicators. Inflation has been below 2 per cent for two years. unemployment has fallen to 9.8 per cent from a peak of 11.1 per cent, retail sales are rising, and business confidence is near its all-time high.

The Organisation for Economic Co-operation and Development, in a recent report. said New Zealand now has "the best opportunity for many years to transform economic recovery into sustained growth." The OECD also ointed out that the recovery is taking place against a background of subdued world economic growth and reductions in government spending, which have tended to depress the domestic economy.

The growth is being led by exports, reflected in a surplus on the merchandise trade balance of of more than NZ\$3bn in each of the last two calendar years, compared with an average for the previous six years of about NZ\$1.3bn. Underlying the recovery is the liberalisation programme. which the OECD once called



"the most comprehensive micro-economic reform programme undertaken by any OECD country in recent

But the proximate cause of the improvement is threefold: Falling interest rates: five-year government bonds are down to about 7 per cent from 13 per cent in late 1990, and mortgage rates have fallen from more than 15 per cent to less than 9 per cent.

Exchange rate movements: the New Zealand dollar has depreciated by about 8 per cent on a trade-weighted basis, delivering a substantial boost in competitiveness to exporters whose domestic costs are static or falling.

Lower wages: unit labour costs have declined substantially following labour market deregulation in 1991. A survey by Bancorp, an Auckland merchant bank, suggests that labour costs are now 36 per cent lower than in Australia.

Mrs Ruth Richardson, finance minister, says with some satisfaction that New Zealand will have one of the fastest growing economies in the OECD in 1993/94 - a sharp contrast with most of the previous 20 years, when it has generally been one of the slowest. Mrs Richardson argues that the economy is finally overcoming the traumatic effects of economic restructuring, and is reaping the benefits of efficiency gains and fiscal

Nevertheless some dangers remain, principally the possi-bility of a collapse in the Uru-guay Round talks, on the General Agreement on Tariffs and Trade, and the sluggish performance of most of the other OECD economies - "they [other countries] also have substantial adjustments to undergo, and New Zealand is a very good demonstration of just how long it takes to get over the adjustment into the growth phase," says Mrs Rich-

Domestically, the chief danger appears to be the uncertainty which could flow from a hung parliament or an unexpected change of government following the election due by November. There is little concern in the business community about a victory by the opposition Labour party. which began the reform process when it was in office from

strong showing by the populist Alliance party would not be welcomed by business or in the financial markets, which fear a relaxation of the prudent fiscal and monetary policies of the last three years.

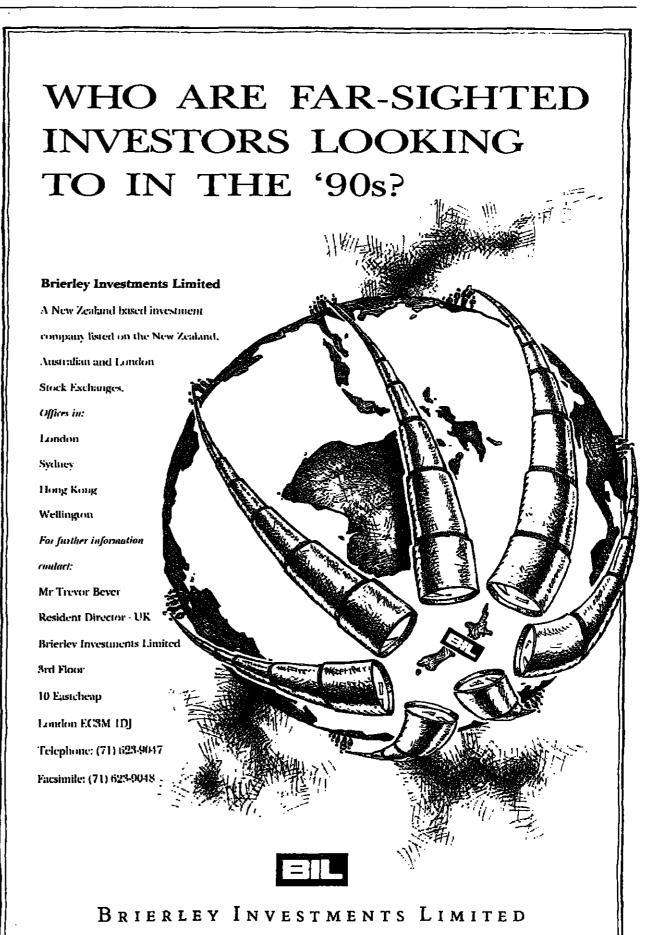
Fiscal policy has, in fact, been one of the government's failures – Mrs Richardson has long since abandoned her election promise to balance the budget by the end of this year. Nevertheless, substantial progress has been made, and the financial deficit (which excludes privatisation receipts) is likely to total more excludes like NZ\$2.5bn in 1992/98 than earlier projections of around NZ\$3bn. This is equivalent to just over 3 per cent of GDP, which would maintain the downward trend from the peak of 3.6 per cent in 1990/91. The Reserve Bank is forecasting a fall to 2.6 per cent by 1995. Mrs Richardson blames the

missed target on "factors outside our control," mainly the rate at which the impact of corporate tax losses on government revenue is passing out of the taxation system. She says she is "leery" of setting a fresh target for the same reason, although the government expects to have been running budget surpluses "for some years" by 2000.

The other potential constraint on economic growth is the current account deficit, which deteriorated to NZ\$2bn in the year to March after narrowing to just NZ\$265m in the previous year. However, the deterioration appears to have been caused largely by one-off interruptions to exports, which restrained growth in the merchandise trade surplus, and adverse movements in corporate investment returns. which are expected to be reversed. Ms Brigette Leckie, an economist at BZW in Auckland, says that concerns about the deterioration have been over-stated, and forecasts a small surplus by 1994/95.

"This recovery is different. It has been much harder to achieve than past recoveries, but it has not been underpinned by pump-priming, and we are not likely to see the bottlenecks caused by inflation, interest rates and the current account which have limited growth in the past," she says.

Kevin Brown



■WO and a half years after coming to power in a landslide election victory, Mr Jim Bolger is New Zealand's most unpopular prime minister since opinion

polling began. Mr Bolger's National party government has trailed the opposition Labour party since shortly after the election, and has at times even fallen behind the Alliance coalition, a populist third party grouping. A month ago, the government was 16 points behind the Opposition in the most widely watched opinion poll, and even loyalists were forecasting that Mr Bolger's leadership could come under pressure unless things improved quickly.

Yet, the economy grew by 3 per cent in calendar 1993 double the average rate in the previous 20 years, inflation is steady at about one per cent, and unemployment has fallen to 9.8 per cent from a peak of

Recent polls have suggested that the government is finally beginning to make up ground on Labour, helped by a successful overseas trip by Mr Bolger and hints of a giveaway Budget next month. But political analysts say there are four main reasons why National faces the possibility of a humiliating defeat in the next election, which must be held by November:

■ National won in 1990 because it gave the impression that the free-market reforms of The election later this year threatens to prove embarrassing for the ruling National party, writes Kevin Brown

A third force enters the political equation

independent MP, would win 26

per cent of the popular vote.

Together, the Alliance and Mr

Peters won 35 per cent support,

which could be enough to win

a three-party election under

New Zealand's first past the

post electoral system. The poll

prompted rapid contacts

between Mr Anderton and Mr

Peters but so far the two men

have held only "talks about

talks." And there are a number

of hurdles in the way of a suc-

cessful electoral arrangement.

■ Much of the support for Mr Peters overlaps with support

for the Alliance, especially in

Auckland, the country's big-

gest city. Alliance candidates

in many constituencies might

be unwilling to step aside to

give candidates supporting Mr

Peters a clear run.

law achieved in any

the 1984-90 Labour government would be reversed. Its extension of the reforms to the lahour market and social security left the government open to charges that it had misled the electorate.

Few of the benefits of economic recovery have yet through to ordinary people. The result has been growing income inequality in what was once one of the world's most egalitarian coun-

■ Ten years of dramatic eco-

nomic change has involved much of the population in painful restructuring. The governing party is the easiest target for angry voters, as Labour discovered three years ago. ■ New Zealand's political landscape has been fragmented by the strains which have accompanied economic restructuring, raising the possibility of volatile shifts in

political support away from both main parties. The initial split took place

ment, when Mr Jim Anderton, an amiable old-fashioned socialist with a colourful turn of phrase, took much of the party's far left into his New Labour Party. Against all predictions, Mr Anderton held his Christchurch seat at the election, and subsequently dis-

Some political analysts claim that the National Party could suffer a humiliating defeat in the next election, which must be held by November

played considerable political skills in welding together a coalition of five minor parties. called the Alliance.

Support for the Alliance has fallen to about 22 per cent in recent polls from a peak of nearly 40 per cent in late 1991, but its prospects could be transformed by a further split between National and Mr Winston Peters, the highly popular Maori MP for Tauranga. A Heylen opinion poll suggested last month that a party led by

The alternative would be for Mr Peters, 43, to join the Alliance. But he would probably want to assume the leadership. Mr Anderton says he is willing to step aside, but only after a party conference, which would be hard to arrange before the ■ The Alliance is already

strained by differences between New Labour and its partners: the anti-development Greens, the Maori rights Mana Motubake party, and two rene-gade conservative parties, the Liberals and Democrats.

Mr Peters shares with all the parties an abhorrence for the deregulatory free market government policies of the last decade. But he is still a conservative - he voted, for example, for labour market deregulation, which is anathema to New Labour. Mr Peters has maintained

his popularity largely by avoiding setting out his own policies, leaving considerable doubt about where he stands.

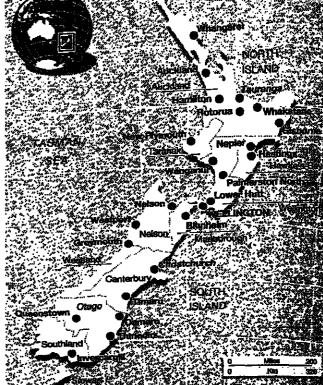
Much of his popularity might disappear if he was forced to make hard choices.

So far, Mr Peters is keeping his options open - "the ball is in Winston's court. He has indicated that he will take part in talks, but we are waiting for him to respond," says Mr

Predictably, both the main parties cling to the hope that an agreement between the Alliance and Mr Peters will prove impossible to arrange, or that it will fall apart under the strain of an election campaign. Mr Don McKinnon, Deputy Prime Minister, says National is confident that it can recover sufficient support to win the election "if we can demonstrate our strengths as managers of the economy." National is also counting on the historical tendency for government support to improve in the

run-up to an election.
But Mr McKinnon admits that the government has been distracted by the internal bat-tle with Mr Peters, who was given "an inordinate amount of time" to come into line before he was ejected from the party early this year.

The infighting has also hampered the government's attempts to highlight divisions between Labour's free market and socialist wings, which have been successfully papered over by Mr Mike Moore, the Labour leader - "probably we have not done a good job in



its true colours," he says.

Mr Moore has spent the last 32 months distancing Labour from the record of the 1984-90 government, mainly by concentrating on the government's social security, health and labour market reforms. He has successfully resisted pressure to commit the party to reverse

the free market thrust of the last decade, although it would re-introduce a measure of labour market deregulation Nevertheless, the election result remains unpredictable at least until the shape of any agreement between Mr Peters and the Alliance becomes

Improvements in race relations

Agreement welcomed by Maori people

a significant breakthrough towards settling long-standing Maori grievances this year when it gave finan-cial backing to a deal which helped Maori tribes buying a half share in the country's big-

gest fishing company, Sealord. The grievances date back to the early days of British colonisation; for generations, the Maoris have claimed that the British, and successive New Zealand governments did not honour the 1840 pact between both sides, the Treaty of Wai-

Both National and Labour governments have worked hard over the last decade at settling these problems. The Waitangi Tribunal was estab-lished to try to settle disputes particularly relating to land and fishing matters with the aim of finalising all grievances by the year 2000. However, the tribunal is not supposed to concern itself with land now owned by Europeans, and pes-simists suggest there will be ongoing problems in the years

While some of the tribunal's decisions have been unpopular with some sections of the Euro-

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spread support with the view that the matters be dealt with promptly. There is also an acceptance that, in the past, the Maori people were unfairly treated, especially in land mat-

In the 1860s, for example, large tracts of valuable Waikato land was confiscated by the government at the end of the so-called 'Maori land wars.'

The problem was that the areas taken were top-quality farm land confiscated from Maori tribes who had supported the government. The dissident tribes were left with their poorer quality land.

'HE Sealord deal, which cost the government \$175m, followed a Waitangi Tribunal ruling last year that Maori tribes were entitled to the deep sea fish resource around the South Island.

Prompted by South Island tribes, the government entered negotiations which allowed them to acquire a 50 per cent stake in Sealord, which controls about 25 per cent of the national fishing quota and most of the valuable hoki fish

FINANCIAL TIMES ASIA PACIFIC SURVEYS 1993

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Brierley Investments bought the remaining 50 per cent. Earnings from the company will be shared around Maori tribes by a special commission.

In spite of some initial squabbling between different tribal groups, the Maori people have now welcomed the agreement, which it is hoped will lead to greater employment opportunities for a group which has been particularly badly hit by the protracted

Unemployment problems are particularly acute among younger Maori people and, as a consequence, they out-number other races in jall. The government and other agencles, including Maori people, are working hard at solving these problems through promoting education and raising Maori

The aim, according to the Minister of Justice Doug Gra-ham is to ensure that the work of the tribunal will not only have the effect of improving race relations, but help lift the Maori people out of the dependency mode "where they have been for much too long."

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Political parties divided over radical reforms in industrial relations law ■WO YEARS after the implementation of one of the most radical reforms of industrial relations industrialised country, New Zealanders remain divided

about the benefits and costs. The Employment Contracts Act (ECA), which became law in May 1991, swept away a century of state regulation of the labour market in favour of a deregulated system which effectively by-passes trade unions.

Under the old system, which dated back to 1894, most wages and conditions were set centrally in negotiations between unions and employers' representatives, and were then legally ratified as occupational "awards." These awards covered all workers in each trade, most of whom were also legally required to be union members. The effect was that bargaining was difficult at company level, and almost impossible at plant level. The ECA scrapped

compulsory union membership and national awards in favour of civil contracts between employers and individuals or groups of workers, which are enforceable under civil law. Employees can negotiate their

Fierce debate over contracts Labour force

own contracts or appoint bargaining agents, which can he trade unions.

Strikes are legal only during negotiations, but there are minimum entitlements for wages, holidays and sickness benefits. However, no consensus about the system has emerged, partly because of conflicts between various surveys as to its impact on

job creation, working conditions and competitiveness. Mrs Anne Knowles, the Employers' Federations' labour market manager, says the ECA has been "crucial to the recovery now taking place in New Zealand. It was the last link in the deregulation of the

"In the past, companies had

to be competitive on every aspect of their operations, except labour costs. Now they know that if they don't get a competitive edge through negotiation they can't blame anybody else," she says.

The employers complain, however, that the impact of the Employment Contracts Act has been weakened by a narrow interpretation of the law by the Employment Court, which hears allegations of

illegal activity by employers. The Council of Trade Unions (CTU), agrees that the act has reduced labour costs, but claims that the ECA has failed to promote job creation, and has promoted an authoritarian management style.

"The act was a one-off hit at labour costs. It has produced a productivity boost, but the improvement in competitiveness is not sustainable because it has not been followed by an increase in business investment," says

Mr Ken Douglas, CTU

president. The opposition Labour Party claims the act breaches United Nations provisions on labour market practices established by the International Labour

Organisation, ILO. Mr Mike Moore, Labour leader, says that the ECA will be scrapped if the party wins the next election. There would be no return to the awards system, but trade unions would recover their lost bargaining rights.

Mr Moore says such a change would bring New Zealand into line with employment practices in other advanced countries. But the prospect worries the employers.

"Any change back towards a centralised prescriptive system with special rights for trade unions or employers' associations would be a retrograde step," says Mrs

Kevin Brown

Prote

Big increase in holidaymakers from

Asian countries

A surge in tourism

are discovering New Zealand in ever-larger numbers, helped in part by the increase in air services to the country and by strong promotions in Germany, Japan, Britain and the US.

Tourism New Zealand, the body charged with promoting the country abroad, has invested NZ\$60m over the past 18 months and the industry is in a highly confident mood.

In 1992, tourist numbers grew by 9.6 per cent to 1.05m, the first time they had passed the one million mark. The growth has continued this year with arrivals running 10.2 per cent, ahead of last year in the January - April period. The tourism board alms for 3m arrivals by the

New Zealand now earns more than NZ\$3bn a year from tourism, making it the country's single biggest export earner, and the Tourism Board says it should be earning NZ\$9bn by the year 2000.

The board chief executive.

Ian Kean, says the growth in numbers will be carefully handled, especially in terms of the

"The fresh, uncrowded, inspoiled nature of New Zealand is one of our main attractions - and we'll keep it that

"We offer a contemporary society with sophisticated cities, superb food and wine, a unique Maori culture, and physical and natural attractions which visitors say are unequalled anywhere in the

The industry sees its greatest growth potential as being part of the Asian Pacific region. Growing disposable income is seeing a sharp rise in visitor numbers, although they are still well below those from more traditional areas such as Australia, the US and Britain.

NTERNATIONAL tourists 5 per cent drop in tourist numbers in the year to March to 169,519, and Australian visitor numbers were also down 1 per cent to 341,098. However, main promotions in Germany saw a 40 per cent lift in holidaymakers to 43,356, and they stayed for an average 30 days, longer than most other nation

alities. The number of British visitors rose by 22 per cent last year to 120,227, and they stayed the longest of any nationality, an average 33 days. However, this percentage is boosted by the number of UK residents making extended visits to stay with

family or friends. Most Ruropean visitors prefer to rent a car and go where the mood takes them, stopping at hotels or motels in the many small towns that take their fancy. So do Chinese visitors from Taiwan, Hong Kong and Singapore. Large numbers of Chinese settlers have lived in New Zealand from the goldmining days of the 1860s.

Younger Japanese tourists are following the self-drive trend, although due to language difficulties their older compatriots tend to travel in groups by coach or airline. Rapidly developing airlinks, mainly pioneered by Air New Zealand, with Korea, Japan, Indonesia, Thailand, Taiwan and Singapore, have led to a sharp rise in visitor numbers from all those countries.

In the year to March the number of visitors from Taiwan rose by 46 per cent to a total of 91,387, There was also a 79 per cent increase in numbers from Singapore, and a 96 per cent rise from Korea. As Asian tourist numbers

climb, so does their ownership of hotels. Singaporean and Houg Kong companies have bought many of the country's top hotels over the past three

Year-round holiday venue

Queenstown: hub of New Zealand's tourist industry

UEENSTOWN, a town-ship nestled at the foot of the sheer of the sheer of the sheer cliffs of a South Island alpine range known simply as The Remarkables is New Zealand's most popular tourist destina-tion. It is estimated that around 750,000 of the million overseas visitors who came to New Zealand last year spent at least a day at the resort - and most spent three days there.

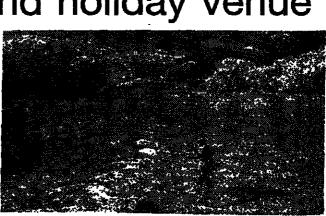
Despite the numbers, it is possible not to be aware of fellow tourists in this most unusual destination, as I found during a fortnight visit with my family at the height of the summer vacation this year. The reasons are simple:

Queenstown is the centrepiece of a leading holiday region, with an amazing variety of attractions. Most American, Australian or European visitors "disappear" there for the day in rental or hire cars. From Queenstown, there are short drives to deserted gold mining towns, around Lake Wakatipu, or further afield to lakes such as Wanaka or Te Anau which are preferred by the local people as they offer better boating and fishing.

For the more adventurous the Fiordland National Park is a 12-hour day trip, although others go by luxury coach, or take a 20-minute flight to Mil-ford Sound. Millord in turn offers jet boating to the open sea, bush-walks and a three-day tramp over rugged terrain to Lake Te Anau. Known as the Milford Track, this is one of New Zealand's leading outdoor attractions.

Queenstown is a genuine year-round holiday centre: in the winter months, three of the country's top ski fields are within a 20-minute drive.

Ali summer sports facilities are available. Two excellent local vineyards produce award winning wines. Each claims to be the most southerly vineyard in the southern hemisphere, and the wines are distinctive and pleasant. Other small vine yards flourish throughout the region, and visitors are encouraged to go on a day long wine trail. The Earnslaw, said to be the oldest coal-fired passenger steamer still afloat has the dis-



tinction of being lattuched on the same day as the Titanic. It sails regularly to high country "runs" (the local name for sheep farms), where it berths, and passengers are encouraged to dine at the homesteads. For the more active, a former

Queenstown resident - and now millionaire – A J Hackett, offers bungy-jumping from the historic Kawerau Bridge into swirling waters of the ravine below. There is also year-round white water rafting, para-gliding, jet boat rides on the turbulent waters of the Shotover and Kawerau Rivers, safari trips and helicopter rides. Queenstown is bubbling with

confidence about its future as the hub of New Zealand's tourist industry. This is leading to a mini-construction boom; and the sleepy town of the 1960s and 1970s, is now host to 60 competitively priced and surprisingly good restaurants.

Terry Hall

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المحيًا لانمازه

270,534 sq km

.3.48 million

Trade barriers still trouble farmers

GRICULTURAL and primary products remain Zealand's export efforts, and with access problems remaining in many key markets, the country is pinning its hopes on satisfactory outcome of the GATT Uruguay round. From the mid-1980s the coun-

35

try energetically removed all forms of farming tax incentives and farmer support systems, hoping to prove to the world that New Zealand could be a model of efficiency and show what an agriculturally-based economy could achieve in a lib-

eralised trading environment.

Profitability is gradually returning to the sector, after a difficult transition period. when many farmers were forced to leave their properties because of financial difficulties compounded by high interest and exchange rates.

Today most farmers welcome the reforms, arguing through their representative body, Federated Farmers, that they are succeeding through a combination of hard work, efficient practices, and low inflation. Average farm profits remain low, however, especially for wool and beef farmers. New Zealand continues to

run into trade barriers, such as the decision by the US authorities to cut the quota for beef imports from 214,000 to 194,000 tonnes this year.

Access problems continue for lamb exports to the EC. Despite a quota of 200,000 tonnes, exporters believe strong demand could easily see

Quotas limit the sale of beef, lamb and dairy products in key markets

New Zealand supplying 250,000 tonnes this year.

In dairying, New Zealand is severely limited in the amount of cheese it can supply Britain, and faces a quota for butter. The New Zealand authorities attach great importance to further reform in the GATT round. This month, Trade Negotiations Minister Philip

Burdon warned against presto liberalise world agricultural trade. He said any outcome that reduced any of the proposals was unacceptable to New Zealand and other members of the Cairns Group of agricultural exporting nations.

"We have already made concessions and must be very firm in resisting any further reduc-tion in the draft agreement."

Privately, New Zealand negotiators are confident of a satisfactory outcome. However, no one expects it to solve all New Zealand's problems. For example, the removal of the present US quota system for beef would open up that market to imports from South American countries who are making strenuous attempts to eliminate foot and mouth disease.

The New Zealand agricultural scene presents a complex picture: producers of some commodities are achieving high profits, while others continue to struggle. High lamb prices in Europe and elsewhere



New Zealand has had an extended summer of warm temperatures and light rain which has been perfect for lamb production. Farmers have been holding back stock from meat companies to get the best price. In turn, this is leading to difficulties for the companies

to fill orders from the UK and elsewhere, and they are being forced to pay exceptionally high prices for lambs at livestock sales

With a positive outlook for the next 18 months for sheepmeat prices, the price of a lamb has doubled since last year from around NZ\$25 to NZ\$50. However, the same farmer is receiving remarkably low prices for fleece wool, due to the international recession. It is estimated that real wool prices are at their lowest level since the 1930s.

In the US, the quota system has led to a big rise in prices for New Zealand beef at market, which are an important ingredient in the hamburger

Last year the US took 76 per cent of New Zealand's beef production. This year it is taking 55 per cent. Supply problems in the US has led to the equivalent of a NZ 70 cent rise in the American market price in the past six months to around NZ\$5.35 a kilogram.

However, this apparent bonanza benefitting New Zealand farmers, as the export companies are being forced to sell the remaining 45 per cent at lower prices elsewhere in the world, where they are running into competition from US

Exports of fruit also present a confusing pattern. The abun-

dant supplies of fruit of all types last year in the important European market, coupled with the loss of the US market led to big headaches for kiwif-ruit producers. Returns from kiwifruit tumbled from NZ\$1bn to NZ\$500m causing serious problems for the newly formed Kiwifruit Marketing Board which has ended up in finan-

cial difficulties.

The board is hoping that a smaller crop this year will eventually lead the industry to recover. Last year apple exporters earned exceptionally good money: most of their crop was sold in European and other markets before the glut of European fruit depressed

So far this season New Zealand apples are selling well in Europe, especially the new varieties, but there is some concern at how more traditional varieties - such as Granny Smiths - will sell, due to increased competition from South Africa and other produc-

There is optimism that the agreement last month which saw the Japanese government agree to import New Zealand apples, will lead to good returns for orchardists over the next five years. This was a significant breakthrough: New Zealand is now the only country apart from Korea allowed to sell apples to Japan.

.HM Queen Elizabeth II New Zealand dollar (NZ\$) Average exchange rate 1991 \$1=1.7265 NZ\$ 1992 \$1=1,8584 NZ\$ **ECONOMIC INDICATORS** 1992 Total GDP (\$bn). Real GDP growth (%) Components of GDP (%) Private consumption n.a. **ANNUAL % GROWTH IN:** Producer prices (%). 2.1 0.9 1.3 Wage rates (%).. Ind. production (%). -3.7 3.1 8.3 Employment (%). Narrow money (%). Broad money (%). FT-A share price index (%)1.. Reserves minus gold (\$m, Dec). Discount rate (% pa,year-end)... Govt bond yield (% pa, avg.).... Current account balance (\$m).... Exports (\$m). imports (\$m). 8,416 9,152 Trade Balance (\$m) 1,254 Main trading partners (%)2 imports 18.0

KEY FACTS

Population .

(1) Percentage Increase at year-end over previous year-end. (2) Percentage share of trade in 1991. Sources: IMF, World Bank, OECD, Datastream, FT Statistics

Last year New Zealand price of a New Zealand radiata earned NZ\$1.3bn from exportlog is still fetching NZ\$425 a ing fish, the first time the total cubic metre compared with NZ\$150 this time last year. had passed the \$1bn mark. While optimism remains high that the industry will be earning \$2bn a year by the end of

since fallen back sharply, the

New Zealand is a world leader in farming timber. Thanks to its warm climate the decade, the Fishing Induswith ample rain, trees flourish. try Board warned last month and reach maturity in 20 to 25 that earnings would probably years. With forecasts of growfall this year because of the ing supply problems over the depth of the northern hemicoming years, especially in sphere recession which is Asia, confidence is high that forestry will continue to pay depressing prices for some varieties. handsome dividends.

In recent months, however, This is leading many farmers forestry has turned out to be a to transform large parts of real bonanza for farmers and their farms to farming radiata others. Environmental probpine trees - a process that is lems in the US and Asia led to making a dramatic difference a quadrupling of the prices of in the New Zealand landscape some timber. While prices have

Manufacturing has responded to the new economic climate

A supplier to niche markets

industry is recovering from the sharp shocks it received over the past decade as a result of the efforts by successive governments to restructure the economy.

The real value of sales grew 6.7 per cent in 1992, a complete rebound from the 6.3 per cent contraction in 1991.

The latest figures from the Manufacturers' Federation show that the ratio of pre-tax profits to sales in the 1992 year was 7.4 per cent, up from 6.4 per cent in 1990. The general manufacturing sector showed real growth in exports of 15.1 per cent compared with 1.7 per cent in 1990, and some industries were facing capacity constraints. The sector has also seen the first growth to worked for six years.

However, the federation's survey says that the sector's biggest worry has been the growing amount of imports in the domestic market. Industry

ANUFACTURING had already taken a series of knocks from 1980 onwards as the National government moved slowly towards tariff reductions, especially in textiles. It received a setback from 1984, when the the reformist Labour government, virtually overnight and without warning, decided to deregulate the economy and open it to import competition, with the aim of making the industry focus on

exports. From 1960 manufacturing had expanded strongly under the combined stimulus of import protection and a range of government incentives. aimed at securingDevelopment full employment and economic

diversification. The changes in the 1980s international companies to relocate their factories to Aus tralia and elsewhere where tax and other incentives were available. Many industries became uncompetitive, and

Protection for a unique legacy

Focus on Napier, Hawke Bay province

NAPIER, the capital of Hawke Bay province on the east coast of New Zealand's North Island, is a hidden jewel with a tragic history and a glorious, but little known, architectural

The mid-summer sun was shining brightly on February 3, 1931 when an earthquake measuring 7.9 on the Richter scale hit the town without warning, demolishing most of the commercial district. The two and a half minute series of tremors killed 258 people throughout Hawke Bay. including 162 in Napier, then a town of just 16,000, and 93 in Hastings, a few kilometres to the south.

The disaster stunned New Zealand, then still a frontier society with less than 100 years of European settlement behind it. But within two years, both Napier and Hastings were rebuilt. The result is one of the best collections of 1930s buildings in the world, including dozens of excellent examples in the Art Deco. Stripped Classical and Spanish Mission styles typical of the

Napier is especially valuable

centre was rebuilt to a coherent plan by a group of forward-looking local architects for whom the modern styles represented a

break with the tragic past. Amazingly, the town's unique architectural legacy was virtually ignored until the mid-1980s, when the proposed demolition of a particularly fine building prompted the formation of an Art Deco Trust to defend the buildings. Mr Robert McGregor, chief executive says 11 buildings were demolished in the 1980s. A conservation-minded council has introduced planning guidelines to encourage refurbishment, but the threat

of further demolition remains. "Some of the buildings that were knocked down were not greatly important, but our ent is that *ony* building which is lost creates a gap in the smile. It's like losing a front tooth - you still have all your other teeth, but it ruins your appearance," says

Kevin Brown





age: New Zealand's meat exporting industry is cutting

their owners closed them

Industry's efforts to respond to the new environment crethermore, hampered by the combined effects of financial sector deregulation, and the subsequent share market boom, which saw the channelling of investment towards speculative endeavours.

The Labour government, too, deliberately ran a high exchange rate policy in an unsuccessful attempt to control domestic interest rates and inflation. The domestic market entered a severe recession from 1988, and the manufacturing sector was also struggling against the Labour government's reluctance, or slowness, to deregulate other markets, such as labour, transport and shinning. The high value of the dollar led to a flood of imports, which were by then virtually

Peter Coakley, of the manu facturing advisory group said in a recent detailed report that the first signs of industry recovering began to be noted in 1989, as the benefits of the economic reforms became stronger and new export oriented strategies of manufactur-

ers began to generate results. "For a time this was masked by continuing retraction in various parts of the sector due to imports, but the extent of the new competitiveness in manufacturing is evident from its increased competitiveness, rising confidence, and the resurgence of exports across a substantial part of the sector in the past year."

The present National party government has provided two important benefits to the sector. One has been a relaxation in the Reserve Bank's inflation target, which was given an extra year to reach nil inflation. This allowed it to relax monetary policy and led to a fall in the value of the Kiwi

in recent weeks, however, the value of the Kiwi dollar has risen strongly, owing to improving economic signals. This has led to protests from manufacturers, especially those dealing with Australia, where the currency has weakened sharply. There has also been a fall in domestic interest rates from around 17 to 10 per cent over the past two years. However, the main beneficial

change has been the Employment Contracts Act, which effectively weakened the power of the trade unions (see facing page). Initially, this led to a fall in incomes, though latest figures show wages are growing due to increased productivity payments. Real sales generated per hour in the manufacturing sector are running at a record

Manufacturing have been able to maintain high produc-

tivity in spite of increasing staff numbers and the totals of hours worked. This indicates systems is providing the basis for a sustained improvement in the international competitiveness of New Zealand busi-

in 1992, manufacturing unit costs of labour fell by 5.5 per cent compared with a 4.2 per cent rise in Singapore and a nil change in Australia. Munro McLennan, an executive with UK meat group, Weddell Crown, said recently that the export meat industry was a "magnificent example" of the changes taking place in pro-

Previously unions banned more than eight hours work at a plant, which led to costly duplication. Now three-shift plants are common, industrial conflict seems non-existent.

The geographical pattern of export trade has changed significantly

productivity payments are common, and workers are undertaking more complex processing tasks.

New Zealand manufacturers see their future as a supplier of niche markets. This has been fostered by the way industry developed. Many companies, such as white goods maker, Fisher and Paykel, became adept at handling small pro duction runs during the years of import protection. This the industry believes has brought competitive advantages in terms of product development, innovation, quality controls and the ability to supply short

run or urgent orders. Industry is now export oriented, and figures show that, despite the severe setbacks of the later 1980s, has more than doubled its share of total years, a trend that will continue. New Zealand manufacturing export growth at 7.3 per cent last year continues to be higher than the OECD average of 5.6 per cent.

The geographical pattern of New Zealand's export trade has also changed significantly over the past 15 years as markets have become more diversified. In 1976 Australia took 43.1 per cent of New Zealand's basic manufactured exports, Japan 32.3 per cent and a range of other markets 24.6 per cent.

Last year Australia's share was slightly lower at 42.7 per cent, Japan's considerably lower at 16.5 per cent, while a greater range of destinations. notably Thailand, Singapore, Hong Kong and Taiwan, took 40.8 per cent of total manufactured exports.

Terry Hall

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Gatt attacks Lome convention over bananas

By David Dodwell, World Trade Editor, in London, and Canute James in Kingston

THE LOME convention of preferential trading arrangements between European Community members and their former colonies is expected to face its greatest threat today. as a dispute panel of the General Agreement on Tariffs and Trade (Gatt) condemns the convention as contrary to international trade rules.

In what was being described yesterday as its hardest hitting panel report ever, the Gatt panel is expected to uphold on all counts a challenge from Latin American banana exporters that the EC's preferential banana import regime for developing country members of the African, Caribbean and Pacific grouping is discriminatory, and at odds with fair

The EC and a group of ACP countries were planning yes-terday to block the panel

MINOR

the Gatt Council when it meets this afternoon. But there was no disguising their consternation over the

ruling. "The report is drastic in its implications," one banana trade expert noted. "It will affect not just Lomé countries, but any developing countries that have preferential trading arrangements with specific groups of countries."

The Gatt dispute panel, established in February after a complaint filed by Costa Rica, Colombia, Guatemala, Nicaragua and Venezuela, ruled that the Lome arrangement could not be defended as a free trade agreement, or customs union. since the concessions are just it also rejected the EC

defence that these preferences were allowable for developing countries - arguing they bene-fit just a small group of countries, and discriminate against a large number of developing countries. The basic Gatt principle of "most favoured nation" status demands that preferences extended to any one country or group of countries cannot be withheld from oth-

The panel offered a a straw to clutch at to the EC by saying it could seek a formal waiver from Gatt rules to defend its Lomé commitments. The US has obtained waivers for various preferential trade arrangements which it recognises as falling outside international trade rules - not least its accord with signatories to the Caribbean Basin Initiative. The EC was yesterday predicting it would successfully weather this afternoon's storm not just because they could block adoption of the panel report, but because it applied

to a banana trade regime that

is due to be replaced on July 1.

ters have proposed that from

per year quota for Latin Ameri-

The EC's agriculture minis-

can fruit, and that this will attract duty of Ecu100 per tonne. Imports of Latin American fruit above this level will attract a duty of Ecu850 per tonne This will bring brief comfort.

however. The Latin American hanana exporters are expected to win approval at today's council for a new panel examining the new banana import regime. Much energy will be spent by Caribbean exporters aimed at ensuring the panel is forced to deliberate for six months, rather than follow an accelerated three-month procedure. They hope this would allow the new banana regime to become safely established.

"The most important element of our strategy now is to avoid at all cost the fast track procedure which will be requested by the Latin American countries when they request a second panel to look at the regulations governing the banana regime," said Mr George Brizan, Grenada's agriculture minister. ACP banana exporters face a further serious burdle on Friday this week when the European Court of Justice hears a demand from German banana importers for an injunction delaying introduction of the new regime.

Germany has in the past largely imported "dollar bananas" from Lafin America, and has been deeply unhappy about new single market arrangements which would force importers to share the cost of the ACP preference scheme, significantly raising the price of bananas for Germans, who are among the world's largest consumers of

the fruit. Some ACP members were also complaining yesterday that the banana panel ruling "somewhat pre-empts" the work of a Gatt working party inquiring into the Lome convention, which is on the agenda to be established at today's council meeting.

Derivative products help to cap gold price rises

David Blackwell on the impact of an ever widening range of derivative products on the global market

AN EVER widderivative products brought an tonnes of gold on to the market last year, the Financial Times World Gold Conference in Istannul was told vesterday.

While not a huge amount, this was sufficient to cap any price rallies, especially in the short term, said Ms Jessica Jacks, an economist with RTZ. The figure would have been much higher if new busines from options and other derivatives had not been offset by a reduction of almost 115 tonnes

in outstanding gold loans.

At the end of last year the total amount of gold associated with outstanding producer derivatives was 1,215 tonnes, up from 1,130 tonnes in 1991, Ms Jacks estimated.

Options increased from 203.5 connes in 1991 to 282.4 tonnes last year, while other derivatives increased by 156 tonnes in the same period. At the same time forward sales fell from just over 280 tonnes to

244.9 tonnes. Average realised prices hedged for this year were \$385 a troy ounce for Australian producers and \$370 for North American producers. "Bear in mind that at the end of 1991, the average weighted hedged prices well exceeded \$400 in both Australia and North America," Ms Jacks said. "Throughout 1992, therefore, the producers accepted lower and lower hedged prices." If the gold price were to rally

and stabilise around \$420, "a number of mining companies could begin to feel a little less than happy with their hedged positions," said Ms Jacks. A survey of mining compa-

nies showed that for a large majority the percentage of their production already hedged and their planned output were the main determinants in their decision making. "The dollar price and local price of gold surprisingly ranked only third," said Ms

Most mining companies said they would be prepared to buy

ening range of Demand for gold from regional markets in the Middle Rast India, South-east Asia and China was at record levels again last year, helping to digest the highest level of central bank sales since 1968, Mr Timothy Green, chief consultant to Gold Fields Mineral Services, told the conference. In the first quarter of this year, with gold around \$330 a troy ounce, demand was soaring to even higher levels. The price simply had to get to a higher even nigner levels. The prive simply had a lighter trading range to cool the physical demand," he said. "In my view we would otherwise have been heading for global dem of not far short of 4,000 tonnes this year on mine output of about 2.200 tonnes.

The regional markets were price sensitive so the demand would not be sustained, he said. Nevertheless, they provided a genuine floor, and indicated when people in many currencies regarded gold as cheap.

back their forward sales. although most did not consider they were over-hedged.

Many had been offered exotic options, but relatively few made use of them because they did not fully understand the principles and pricing mechanisms of the instruments.

She said creators of exotic options should be wary of overcomplicating the product or the way it was presented.

The past 18 months had also seen the emergence of between 10 and 20 central banks as option granters, Ms Jacks said by writing call options, they earned a premium, giving some return on their gold reserves. About 466 tonnes of gold is thought to be involved. It was impossible to predict what sort of "weird and wonderful" instruments would emerge in the future, Ms Jacks said. "For each price profile, thrre is considerable latitude

for highly complex products, each with a specific application and target market. Declining prices or sharply increasing prices lend themselves to a derivative of some descrip-Mr Ian MacDonald, precious

metals marketing manager at Credit Suisse, told the conference the availability of overthe counter options and derivatives had revolutionised the gold market. A typical trader would no longer say his biggest client was a central bank or mining house - but the options department of his own company.

He described the main effects

● The prolongation of existing market trends, or the accelera-

tion of new trends.

VESTMENT TO

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MESTMENT C

· Increased trading in gold. rather than holding it as a long term asset. Increased sophistication of

market operators - including banks, mines, central banks, investors, institutions and hedge funds. • The setting up of hedging and speculative positions for

small capital outlay. Turning to the recent sold rally, Mr MacDonald said the markets had a habit of going after volume. The largest volume in the option book had been the \$400 and \$450 strikes.

he said. Therefore it is highly likely that at some point a move over \$400 is to be expected because of the sheer volume of calls that have been written."

Mr Frank Veneroso, a partner in Omega Advisors. suggested that the widening gap between supply and demand could force the price sharply perhaps to \$1,000 a troy ounce in the next five

The supply over five years from world mines and scrap might be expected to expand by 10 per cent to perhaps 3.000 tonnes a year. But demand excluding Western investment would grow by 6 to 7 per cent each year to almost 5,000 tonnes a year.

Such a gap would lead to a real price of \$700 in 1992 prices - or \$850 after inflation of around 3 to 4 per cent a year. Market equilibrium would then take it through to 1,000 a troy

METALS

Prices from Metal Bulletin (last week's in brackets). ANTIMONY: European free

market 99.6 per cent, \$ per tonne, in warehouse, 1,550-1,620 (1.590-1.640). BISMUTH: European free

market, min. 99.99 per cent, \$ per Ib, tonne lots in warehouse, 2.25-2.50 (same). CADMIUM: European free

market, min. 99.5 per cent, \$ per lb. in warehouse, 0.44-0.50 (same). COBALT: MB free market.

99.8 per cent, \$ per lb. in ware house, 13.40-14.00 (13.80-14.50). COBALT: MB free market 99.3 per cent, \$ per lb. in warehouse, 10.40-11.00 (10.90-11.70). MERCURY: European free market, min. 99.99 per cent, \$ per 76 lb flask, in warehouse,

115-135 (same). MOLYBDENUM: European free market, drummed molvbdic oxide, \$ per lb Mo, in warehouse, 2.25-2.30 (2.20-2.35).

SELENIUM: European free market, min 99.5 per cent, \$ per lb, in warehouse, 4.70-5.40 (4.70-5.40). TUNGSTEN ORE: European

free market, standard min. 65 per cent, \$ per tonne unit (10 kg) WO, cif, 27-39 (same). VANADIUM: European free market, min. 98 per cent, \$ a lb

V.O., cif. 1.30-1.40 (1.30-1.40). URANIUM: Nuexco exchange value, \$ per lb, U₅O₆, 7.10

| | WAREHOL | ST STO |
|-------|----------|--------|
| | Monday's | |
| tonne | 9 | |

| tonnes | - |
|-----------|------------------|
| Aluminium | -1,675 to 1,818, |
| Copper | +6.825 to 443,12 |
| Lead | -325 to 259,17 |
| Nickel | -1,740 to 93,090 |
| Zinc | +3,500 to 675,12 |
| Tin | +85 to 20,035 |
| | |

Zimbabwe tobacco growers face crisis

By Tony Hawkins in Harare

ZIMBABWE'S TOBACCO growers meet in Harare today at a time of deepening crisis in their industry. With a quarter of the 1993

crop having been sold on the Harare auction floors, the tobacco price is averaging 94 US cents a kilogram, down 43 per cent on last year's average and more than 70 per cent below the record US\$3.25 a kilogram, achieved in 1991.

Last week, Mr Ian Alcock, President of the Zimbabwe Pobacco Association, which represents growers, told farmers to cut production by between 30 and 35 per cent. He said the industry should produce a 1994 crop no larger than 150m kg, compared with the 230m kg estimated for this

The ZTA is likely to come in for sharp criticism from some growers for its failure to keep them better informed on world

market trends. But the association will argue - with some justification - that the swing from a sellers market to one of overproduction and oversupply was very sudden and all other producing nations were caught out in the same way.

So far this year, 55m kg of flue-cured tobacco have been sold on the auctions - 24 per cent of the forecast crop of some 225m kg.

In the past prices have tended to harden markedly in July and August, when the high quality leaf comes on to the floors, but growers and merchants say this is not going to happen to anything like the same extent this year. Price forecasts for the season range between a high of US\$1.20 and a low of \$1 a kilogram.

The tobacco crisis has far-reaching implications for the economy. It means there will be negligible growth in the country's economy and exports will grow only marginally, if at

year will impose new strains on the banks, which will not only have to carry tobacco growers through a second difficult season after last year's drought, but will be called upon to finance a stockpile worth more than US\$1.5bn. This is likely to mean that interest rates will remain high for the rest of the year, thereby exacerbating the squeeze on farm cash flows and making it difficult for tobacco growers to

diversify. One forecast sug-

will lose some US\$50m in 1993.

gests that the tobacco sector

all. The build-up of a tobacco

stockpile of about 160m kg this

There are no obvious diversification opportunities. Many tobacco growers will probably switch into maize, raising the spectre of a re-run of the 1980s crisis when Zimbabwe built up a massive stockpile of maize, which it could not afford to maintain and was unable to

Maize industry experts are

mum export market for the industry is probably in the region of 300,000 tonnes. The beef industry is in seri-

warning growers against this,

pointing out that the maxi-

ous trouble with weak demand at home and abroad and farmers continuing to destock with serious implications for long-term production. Horticulture is constrained by high transport costs, while profitability in cotton is uninspiring. With industry leaders warning that the crisis will last for another two or three seasons, the locomotive that has driven the Zimbabwe economy for much of the past 40 years

seems to have run out of Perhaps even more disturbing are the signs that agriculture, as a whole, faces a difficult period over the next few years, highlighting the urgent need - from Zimbabwe's viewpoint - for an upturn in metal

Dairy farmers look forward to higher prices for milk

By Deborah Harcreaves

DAIRY FARMERS can look forward to higher prices for their milk when the market is liberalised and the Milk Marketing Board is abolished in April next year, according to Mr Andrew Dare, chief execu-

tive of the MMB. European milk prices are a lot higher than ours - only low as in the UK - and most UK milk is of a higher quality than the lower fat European

varieties," Mr Dare said. He expects farmers to see an additional couple of pence per litre for their milk in spite of an over-supply in the market.

Interest from farmers in the Milk Marque - the planned successor to the MMB - has been encouraging and the board hopes to be able to sign up 80 per cent of farmers for the new voluntary co-opera-

Some food companies are setting up schemes to buy milk directly from farmers, but Mr Dare said these were asking farmers to adopt a high risk strategy by linking themselves to the fortunes of just one cus-

This year's milk price to farmers is 22p per litre and is likely to rise to 23p per litre by the beginning of next year, Mr The MMB's costs came to

1.4p per litre of which 1.1p goes annual accounts, Mr Dare said

last year had produced a sur-

WORLD COMMODITIES PRICES

m, 99.7% purity 🛱 per tonne

1146.5-7.5 1171-1.5

258-9 268-8.25

LORDON METAL EXCHARG

Copper, Grade A & per tonne)

1209.5-10.5 1219-20

Cesh 1164.5-5.5 3 months 1179-8.6

Leed (E per tonne)

Mileical (S per torane)

Cash 257.5-8.0 3 months 267.5-8.0

plus of £2.31hn for producers compared with £2.23bn the

The amount of milk sold by the MMB dropped slightly by one per cent to just over 11m litres. The doorstep market for milk declined 7 per cent but this was compensated by an

increase in shop sales. The number of milk producers, however, continued to Announcing the MMB's number of registered dairy farmers dropped by 2.6 per cent.

1181/1174

1205 1221/1273

of the derivatives on the gold Computer bugs at New York exchanges

MEATING ON 40 ROLLIE code control is code

By Laurie Morse in Chicago

COMPUTER problem disrupted price reporting the cause of the computer dismajor commodity and futures exchanges yesterday, resulting in delayed opening the World Trade Centre build-

(Prices supplied by Amelgamated Metal Trading)

1154-4.5 1178.5-9.0

1204-5 12125-3.5

254-4.5 264.5-4.75

5505-7 5570-2

Kerb close Open Intensi

Total daily turnover 39,535 k

1179.5-80.0 194,692 lots

Total daily turnover 38,836 kg

Total daily turnover 3,439 to

Total daily turnover 11,497kg

221,524 lots

20,653 lots

50,777 lots

and shortened sessions. A representative of the New York Mercantile Exchange said

mined. The exchanges are located in ing, which was subject to a terrorist bomb blast in Febru-

All the exchanges had manen dy 1139 EEGT and said the shortened se ions would not affect the day a set-

cents/60lb bushel

MARKET REPORT

The GOLD market firmed yesterday, shrugging off signs that US inflation pressure might be easing. Having dipped early on by \$1 the London bullion market price railied to close \$1.80 up on the day at \$365.75 a troy ounce. "I think the market got itself a bit short and when buying came in, people ran for cover." one dealer said. After the price bounce another dealer commented: "I would recard anything around \$363 [the low reached in the Initial fall) as an opportunity to buy". At the London Metal Exchange the TIN market came under renewed pressure as traders became increasingly

London Markets

| London Markets | |
|--|---------|
| SPOT MARKETS | |
| Crude oil (per barrel FOS)(Jul) | + or - |
| Brent Blend (dated) \$17,25-7.2 | |
| W.T.I (1 pm est) \$19.04-9.0 | 16z305 |
| Oil products (MWE prompt delivery per tonne CIF | + ar - |
| Premium Gesoline \$200-202 Ges OS \$164-165 | -7 |
| Gas Ot \$164-165 Heavy Fuel OI \$58-60 | |
| Nephtha \$171-179 | -2 |
| Petroleum Argus Estimates | 76 |
| Other | + or - |
| Gold (per troy oz) \$365.75 | +1.80 |
| Saver (per troy ox) 427.0c | +7.0 |
| Flatinum (per troy oz) \$376.35 | -6.15 |
| Palladium (per troy oz) \$126.00 | -0.25 |
| Copper (US Producer) 88.50 | |
| Lead (US Producer) 34.63c | |
| Tin (Kuda Lumpur merket) 12.90 | -0.15 |
| Tin (New York) 236.5c | -3.0 |
| Zinc (US Prime Western) 62.0c | |
| Catale (live weight) 142.64p | -1.08* |
| Sheep (live weight)† \$\dagger 109.18p | -10.54" |
| Pigs (live weight)† 85.82p | -4.53° |
| London daily auger (rew) \$283.9 | -3.5 |
| London daily suger (white) \$283.2 | -2.0 |
| Tate and Lyle export price \$297.5 | -2.5 |
| Barley (English feed) Unq | |
| Malze (US No. 3 yellow) £166.5t | |
| Wheat (US Dark Northern) \$141.5t | _ |
| Pubber (Juli) 57.50p | -0.75 |
| Rubber (Aug)♥ 57.75p | -0.75 |
| Aubber (KL_RSS No 1 Jul) 209.5m | -0.5 |
| Cocunut of (Philippines)§ \$427.5v | -5.0 |
| Paim Of (Malaysian)§ \$352.5y | |
| Copra (Philippines)§ \$279.0 | |
| Soyebeans (US) £174.0u | |
| Cotton "A" Index 58.45c | +0.10 |
| Woottops (64s Super) 357p | +0.10 |

E a tonne unities otherwise stated, p-pence c-cents/lb. r-fringstring, y-lut/Sep. z-Augy-lut/lut-lut t-jut fluctrition physical. SCE Page-lut/lut-lut lutino market close, m-falaisysten cents/leg-4/Shiprices are now live weight prices a change from the pence are now live weight prices.

a tonne for three months metal triggered stop-loss selling and the price ended at a 20-year low of \$5,070 a tonne, down \$90. London's robusta COFFEE market reversed an early setback to end \$2 up on the day in the September futures position, at \$922 a tonne, near the middle of the recent trading range. The COCOA market remained quiet with nearby futures contracts scoring small gains.

concerned over rising stocks,

growing production and sluggish

demand. A slide through \$5,100

| SUGAR | - Lande | a FOX | (\$ per tonn |
|---|---|--|--|
| White | Close | Previous | High/Low |
| Aug | 285.00 | 284.40 | 288.50 284.00 |
| Oct Dec: | 280.50 | 280.00 | 281.00 279.00 |
| Dec Mar | 261.00 264.80 | 260.40 263.50 | 281,50 281,00 284,90 284,00 |
| White 9 | 35 (1147) | Paris- White | (FFr per tonne): |
| Aug 151 | 76.48 Oct | 1561.68 | |
| CRUDE | OIL - IP | • | \$/bem |
| | Late | st Previo | us High/Low |
| Jul | 17.3 | | 17.57 17.33 |
| Aug | 17.6 | | 17.79 17.58 |
| Вер | 17.g | | 17,99 17,82 |
| Oct Nov | 18.0 | | 18.14 18,02 |
| Nay Dec | 18.1 | | 18.29 18.16 |
| Dec Pë Inde | 18 <u>.21</u> 17.63 | | 18.29 |
| | | | |
| PAS OF | | | Shorm |
| | Close | Previous | High/Law |
| Aut | Close 164,00 | 164.50 | High/Low 164.00 163.00 |
| Auf Aug | Close 164,00 165,75 | 164.50 166.50 | High/Low 164.00 168.00 165.75 165.00 |
| Ruf Vug Sep | Close 164,00 | 164.50 166.50 168.75 | High/Low 184.00 163.00 165.75 165.00 168.00 167.50 |
| Puri Vugi | Close 164,00 165,75 167,75 | 164.50 166.50 | High/Low 184.00 163.00 165.75 165.00 188.00 167.50 171.50 170.75 |
| Ruf Nug Sep Oct | Close 164,00 165,75 167,75 171,50 | 164.50 166.50 168.75 172.25 | High/Low 164.00 163.00 165.75 165.00 168.00 167.50 171.50 170.75 173.75 173.25 |
| Auf Vug Sep Der Ver Ver | Close 164,00 165,75 167,75 171,50 173,75 | 164.50 166.50 168.75 172.25 174.50 | High/Low 184.00 163.00 165.75 165.00 188.00 167.50 171.50 170.75 |
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| Aug Sep Oct Nov Dec Innover | Close 164.00 165.75 167.75 171.50 173.75 178.50 176.25 | 164.50 166.50 168.75 172.25 174.50 176.50 177.76 177.50 | High/Low 184.00 183.00 186.75 185.00 188.00 187.50 171.50 170.75 173.75 173.25 176.00 176.00 177.00 178.25 176.25 176.00 7 100 tonnes |
| Auf Aug Sep Oct Nov Dec Immover JUTE C and \$296. | 164.00 165.75 167.75 171.50 173.75 176.25 176.25 | 164-50 166-50 168-75 172-25 174-50 176-50 177-75 177-50 | High/Low 184.00 183.00 185.75 185.00 188.00 187.50 171.50 170.75 173.75 173.25 176.00 176.25 177.00 176.25 178.25 178.00 7 100 tonnes 20, BWC n/a, 8TD where: BTC \$305. |
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| JUTE C and, SWC : | 164.00 165.76 165.76 167.78 171.50 173.75 176.50 176.25 10192 (1 15 Dunded BWD \$299 5305, BTE 100N 10061-sport torries if torries if the second of the secon | 184-50 198-50 198-75 172-25 174-50 177-50 177-75 177-50 18437 lots of 18437 lots of 18 | High/Low 184.00 183.00 185.75 185.00 188.00 187.50 171.50 170.75 173.75 173.25 176.00 175.00 177.00 178.25 176.25 176.00 7 100 tonnes 20, BWC n/a, STD wheep: BTC \$305, 0 \$280. |
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| JUTE C and 22 Against Suppose | Close 164.00 165.75 167.75 171.50 173.75 175.50 176.25 10792 (1 15 Dunded BWD \$298 \$305, BTD ON | 184-50 198-50 198-75 172-25 174-50 177-50 177-75 177-50 18437 lots of 18437 lots of 18 | High/Low 184.00 183.00 185.75 165.00 186.00 167.50 171.50 170.75 173.75 173.25 176.00 175.00 177.00 175.25 176.25 176.00 7 100 tonnes 20, BWC n/a, 8TD withwarp: BTC \$305, 0 \$280. at sales amounted k ended 11 June endous week, Submitted to certain specialist. |

COCOA - London FOX £/tonne Close Previous High/Los 662 671 691 713 727 741 754 664 675 695 716 729 743 756 780 801 665 656 577 665 896 669 716 711 731 727 743 741 798 Turnover: 1874 (3197) lots of 10 tonnes BCCO Indicator prices (SDRs per tonne). Daily price for Jun 14 688.43 (677.54) 10 day average for Jun 15 678.39 (890,78)

| | Close | Previous | | \$/tonne |
|--|---|-------------------------------|---|----------|
| <u> </u> | 905 | 905 | 907 892 | — |
| ep q | 822 | 850 | 922 910 | |
| lov | 924 | 926 | 925 915 | |
| <u>lan</u> | 923 | 926 | 926 915 | |
| | | 1847) lots of sea &US cent | t 5 tonnes 3 per pound) for | Jun 11 |
| comp. | dally \$4. | 12 (58.08) | 18 day everage | 54.58 |
| 54.76) | | | | |
| | MAR - 1 | endon POX | | |
| VIA. | Close | Previous | High/Low | |
| /bx | 93.20 | 94,10 | 832 815 | |
| 4ay | 100.50 | 101.80 | 100.5 100.0 | |
| WORM | er 67 (32) | lots of 20 to | onnés. | |
| | | | | |
| CYA | IKAL - L | enden FOX | | 2/korine |
| | Close | Previous | High/Low | |
| m g | 145.80 | | 145.80 | |
| LETTON | r 0 (0) lot | of 20 ton | 108. | |
| | | | | |
| REIQ | HT - Lond | | \$10Ands | oc point |
| | Close | Previous | High/Low_ | <u>-</u> |
| usi ud | 1475 1340 | 1463 1340 | 1475 1459 1342 1330 | |
| ug Ug | 1330 | 1325 | 1330 1325 | |
| ď | 1420 | 1420 | 1420 1405 | |
| en A | 1438 1539 | 1583 | 1440 1435 | |
| umove | r 160 (97) | | | |
| | • | | | |
| RAR | B Londa | p FOX | | /torres |
| hest | Close | Previous | High/Low | |
| an . | 138.00 | 135.50 | 136.50 136.00 |) |
| on eb | 106.80 108.40 | 108.75 | 108.60 108.60 108.25 | 5 |
| ut | 111.15 | 111.45 | 111.15 111.00 |) |
| | 113.55 | 113.80 | 113,55 113,30 | |
| cy . | 115.55 | | 115.55 115.30 | <u>-</u> |
| ariey | Close | Previous | High/Low 104.75 | |
| 10 | 104.50 107.55 | 107.85 | 107.55 | |
| | | | 109.75 109.60 |) |
| OV | 109.75 | | | |
| er er | 109.75 111.85 | 112.25 | 111.85 | |
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| ev er ey emove | 109.75 111.85 113.40 r. Wheat 4 r lets of 1 | | 113.40 fey 114 (2). Cesh Settlement | ī p/kg |

Total daily turnover 3,285 to Tin (\$ per torme Cash 5030-40 3 months 5090-100 5100-5 5160-6 10,011 lots Zinc, Special High Grade (\$ per torm 913.5-4.5 932.5-3.0 817-8 935-8 60,311 lots 9 months: 1.498 LONDON BULLION MARKET New York Prices supplied by N M Rathschild Gold (troy oz) \$ price GOLD 100 tray az; \$1tray az 385.50-386.00 366.50-386.00 385.00 386.35 369.8 370.0 370.8 372.4 374.0 375.6 377.2 378.8 360.5 365.3 365.8 368.6 368.2 369.7 371.2 372.8 374.4 376.1 Day's high Day's low 366.10-366.50 363.80-364.00 oco Lán Meus Gold Landing Rates (Vs. USS) 2.46 2.51 Sever fix US ats equit ράσγα 422.50 425.70 429.40 436.85 276.05 279.95 263.90 291.35 380.7 379.9 380.7 381.2 379.5 378.5 379.0 379.5 COME 423.0 418.5 431.0 421.0 426.5 0 432.0 438.0 442.0 446.0 365.5-368.500 378.45-378,85 87.00-90,00 trike price S tonne Aug Oct Aug Oct 83.10 82.80 0 83.20 82,30 82,55 82,60 83,00 83,15 83,40 83,55 83,65 83,80 82.50 82.70 82.85 83.00 83.10 83.35 83.50 83.60 83.75 Puts 115 91 70 46 70 99 Sep Jul 127 5 14 37 86 53 CRUDE OIL (Light) 42,000 US galls St Jul Sep Jul 57 39 25 18.89 19.26 19.50 19.63 19.72 19.79 19.85 19.89 Jul Aug Sep Oct Nov Dec Jen Feb Mer Apr 18,74 19,09 19,37 19,51 19,64 19,73 19,81 19,85 19,85 19,92 Aug Dec Aug rpet Crude Dec · 85 130

| | INTE OFF | 42,000 05 (| Bagga" coups | NS galls | C | hicaç | 30 | |
|---|--|--|---|--|--|--|--|-------------|
| | Latest | Previous | High/Lo | | | | in ud 000, | - |
| Jul | 52.30 | 52.45 | 52.35 | 51.80 | _ === | Close | Previo | - |
| Aug | 53.00 | 53.10 | 53.00 | 52.60 | <u></u> | | | _ |
| Sep | 54.05 55.05 | 64.30 55.85 | 54.10 55.20 | 53.80 56.02 | Aug | 582/8 580/4 | 584/4 582/2 | |
| Nov | 56.20 | 66.36 | 56.25 | 56.10 | Sep | 577/0 | 580/6 | |
| Dec | <i>57.2</i> 0 | 57.35 | 57.25 | 57.10 | Nov Jan | 577/0 585/0 | 581 <i>A</i> 0 | |
| Jan | 57.75 | 57.95 | 57.90 | 57.75 | Mar | 58G/6 | 588/8 594/4 | |
| Fab: Mar | 57.75 56.75 | 57.80 56.80 | 57.90 57.00 | 57.75 56.75 | Mary | 594/4 | 598/4 | |
| Apr | 55.65 | 55.60 | 65.B\$ | 65.65 | 44 | 596/2 | 599/0 | |
| COCX | 2A 10 tors | nes;\$/tonne | | | - <u>SOY</u> | | L 60,000 Es | 9Ç (|
| | Close | Previous | High/La | | | Close | Previou | 成 |
| <u></u> | 854 | 850 | 860 | 850 | _ : Jul Aug | 20.19 20.36 | 20.46 20.68 | |
| Sep | 888 | 885 | 895 | 884 | Sep Oct | 20.50 | 20.89 | |
| Dec Mer | 928 | 926 967 | 985 | 923 | Dec | 20.64 20.82 | 20.81 21.04 | |
| May | 972 895 | 961 961 | 978 996 | 967 994 | Jan | 20.92 | 21.15 | |
| Jul . | 1017 | 1013 | 1018 | 1018 | Mar May | 21.16 | 21.36 | |
| Sep | 1041 | 1036 | 1039 | 1038 | | 21.35 | 21.53 | _ |
| Dec Mar | 1072 1109 | 1066 | 0 | 0 | SOY | ABEAN ME | AL 100 ton | 8; |
| | | 1103 | 1104 | 1103 | - — | Close | Previou | 8 |
| CUPPI | | ,500lbs; cer | | | - Aug | 186.1 185.3 | 186.4 | |
| | Close | Previous | High/Lox | w | Sep | 184.9 | 185.7 185.3 | |
| Jui | 61,30 | 58.75 | 61.40 | 67.75 | Oct | 184.8 | 185.1 | |
| Sap | <i>6</i> 3, <i>20</i> 68,00 | 80.85 | 89.25 | 59.80 | Dec Jan | 185.1 185.2 | 785.8 185.7 | |
| Dec Mar | 66.00 68.30 | 63.45 65.95 | 88.00 | 62.70 65.30 | Mar | 185.8 | 186.7 | |
| May | 70.00 | 67.40 | 0 | 0 | May | 186.9 | 187.2 | |
| Jul 8 | 71,60 | 69.15 | 0 | 0 | MAIZ | E 5,000 bu | min; cents | /5 (|
| Sep | 73.15 | 70.50 | <i>8</i> 9.45 | 69.45 | - — | Clase | Previous | _ |
| الاقال ا | | 112,0 | | | Jtd - Sen | 212/6 | 214/4 | |
| | Close | Previous | High/Lou | , | Sep Dec | 218/6 226/4 | 220/0 227/0 | |
| Jul | 10.80 | 10.90 | 10.88 | 10.76 | Mer | 234/6 | 234/8 | |
| Oct Mer | 11.17 10. 93 | 11,tg 10.93 | 11.24 | 11.12 | May Jul | 239/4 243/2 | 239/6 243/2 | |
| ar Jay | 10.80 | 10.82 | 10.97 10.85 | 10.89 10.80 | Sep | 241/4 | 243/2 241/0 | |
| ı . | 10.66 | 10.68 | 10.70 | 10.66 | Dec | 241/6 | 240/2 | |
| at | 10.52 | 10.52 | | 0 | WHEA | | min; cents | /5 |
| OTTO | | cents/lbs | | | . | Close | Previous | |
| | Close | Previous | Hgh/Low | | Jui Sep | 281/0 284/4 | 265/6 289/4 | |
| ui Act | 59.35 58.25 | 59.12 59.65 | 58.49 | 58.85 | Dec | 296/0 | 300/0 | |
| Jez Jec | 58.25 58.05 | 58.55 58.17 | 58.65 58.30 | 58.06 57.70 | Mar May | 301/6 300/4 | 306/0 | |
| Mer | 59.05 | 58.25 | 58.27 | 57.70 58.80 | Jul | 301/4 301/4 | 304/4 304/2 | |
| May | 59.73 | 59.88 | 59.65 | 59.50 | | _ | ,000 lbs; or | _ |
| lui Dat | 90.30 90.15 | 60.4g 60.15 | g Ø | 0 | | Close | | 10 |
| Jec Jec | 60.25 | 0 | ŏ | 8 0 | Jun | 76,950 | Previous | _ |
| PANG | E JUKE | 16,000 lbs; | cents/live | | Aug | 74.876 | 77.900 75.600 | |
| | Ciose | Previous | | | Oel Dec | 75.225 75.126 | 75.700 | - |
| <u></u> | | | High/Low | | Feb | 75.125 74.800 | 75.575 75.225 | |
| | 107.40 110.85 | 164,55 107.75 | 108.90 | 105.75 | Apr | 75.800 | 76.350 | |
| | | 110.60 | 112.00 114.75 | 108.75 111.60 | JALIN | 72,750 | 73,400 | |
| lov lov | 113.25 | 1 10100 | | | LIVE H | OGS 40,00 | O lb; cents | b |
| ep lov en | 113.25 115.25 | 112,40 | 116.00 | 118.50 | _ | | | _ |
| igo lov en her | 113.25 115.25 117.00 | 112,40 114,00 | 117.25 | 114,50 | _ | Close | Previous | |
| iep iov ien ier ier | 113.25 115.25 | 112,40 | 117.25 0 | 114.50 0 | Jun | Close 51,250 | Previous 51.225 | _ |
| lep lev len Mer ley ud lep | 113.25 115.25 117.00 118.00 118.00 118.00 | 112,40 114,00 115,00 | 117.25 | 114,50 | Jun Jun | Close 51,250 47,925 | 51.225 48.550 | |
| lep lov en fer ley ul | 113.25 115.25 117.00 118.00 118.00 | 112,40 114,00 115,00 115,00 | 117.25 0 0 | 114,50 0 0 | Jun | Close 51,250 47,925 45,650 | 51.225 48.650 48.275 | |
| lep lev len fer ley ul lep lev | 113.25 115.25 117.00 118.00 118.00 118.00 118.00 | 112,40 114,00 115,00 115,00 116,00 | 117 <u>-2</u> 5 0 0 0 | 114,50 0 0 | Jun Jul Aug Oct Dec | Close 51,250 47,925 | 51.225 48.550 | |
| iep ien ien iep iep iev | 113.25 115.25 117.00 118.00 118.00 118.00 | 112,40 114,00 115,00 115,00 115,00 115,00 | 117.25 0 0 0 0 | 114.50 0 0 0 | Jun Jul Aug Oct Dec Fab | 51,250 47,925 45,650 40,200 40,350 40,200 | 51.225 48.550 48.275 40.800 41.125 41.050 | |
| esp esn der dey de esp dev | 113.25 115.25 117.00 118.00 118.00 118.00 | 112,40 114,00 115,00 115,00 116,00 | 117.25 0 0 0 0 | 114.50 0 0 0 | Jun Jul Aug Oct Dec | 51,250 47,925 45,650 40,200 40,350 40,200 39,575 | 51.225 48.550 48.275 40.800 41.125 41.050 40.200 | - |
| ingo ingo ingo ingo ingo ingo ingo ingo | 113.25 115.25 117.00 118.00 118.00 118.00 | 112,40 114,00 115,00 115,00 115,00 115,00 | 117.25 0 0 0 0 | 114.50 0 0 0 0 | Jun Juri Aug Oct Dec Fab Apr Jun | 51,250 47,925 45,650 40,200 40,350 40,200 39,575 45,275 | 51.225 48.550 48.275 40.800 41.125 41.050 40.200 45.900 | |
| Replication American | 113.25 115.25 117.00 118.00 118.00 118.00 118.00 118.00 ERS (Bas Jun.15 | 112.40 114.00 115.00 115.00 115.00 115.00 115.00 | 117.25 0 0 0 0 0 0 0 0 0 0 18 1931 . | 114,50 0 0 0 0 0 100j | Jun Juri Aug Oct Dec Fab Apr Jun | 51,250 47,925 45,650 40,200 40,350 40,200 39,575 45,275 | 51,225 48,550 48,275 40,800 41,125 41,050 40,200 45,900 0,000 lbs; c | - |
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| REUT | 113.25 115.25 117.00 118.00 118.00 118.00 118.00 118.00 ERS (Bas Jun.15 | 112.40 114.00 115.00 115.00 115.00 115.00 115.00 | 117.25 0 0 0 0 0 0 0 0 0 0 18 1931 . | 114.50 0 0 0 0 0 100 97 Ago 1696.1 | Jun Juri Aug Oct Dec Fab Apr Jun | Close 51,250 47,925 45,850 40,200 40,200 40,200 39,575 45,275 3P,LLSES 40 Close 33,326 | 51,225 48,550 48,275 40,800 41,125 41,050 40,200 45,900 0,000 Res; o Previous | |
| REDIT | 118.25 115.25 115.25 117.00 118.00 118.00 118.00 118.00 118.00 118.00 1285 EFRS (Bas Jun.16 1850.2 400.05 (F | 112.40 114.00 115.00 115.00 115.00 115.00 115.00 115.00 115.00 115.00 115.00 115.00 115.00 115.00 | 117.25 0 0 0 0 0 0 0 18 1991 - mnsh ago 1676.3 | 114,50 0 0 0 0 0 100j | Jun Jul Aug Oct Dec Feb Apr Jun PORK I Aug Feb | Close 51,250 47,925 45,650 40,200 40,200 40,200 39,575 45,275 8PLLES 40 | 51.225 49.560 48.275 40.800 41.125 41.050 40.200 45.900 0,000 Res; o Previous 34.250 33.600 | - |
| REDIT | 113.25 115.25 117.00 118.00 118.00 118.00 118.00 118.00 188 ERS (Bas Jun.16 | 112.40 114.00 115.00 115.00 115.00 115.00 115.00 115.00 115.00 115.00 115.00 115.00 | 117.25 0 0 0 0 0 0 0 0 18 1931 - mnth ago 1676.3 1 1974 = 1 | 114.50 0 0 0 0 0 0 100 1696.1 | Jun Jul Aug Oct Dec Feb Apr Jun PORK I | Close 51,250 47,925 45,650 40,200 40,350 40,200 38,575 45,275 38,11,125 40,200 33,325 32,325 | 51,225 48,550 48,275 40,800 41,125 41,050 40,200 45,900 0,000 Res; o Previous | |

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High/Low 588/6 586/4 584/0 584/4 590/4 597/0 600/0 901/4 580/4 578/6 578/0 576/4 682/4 590/4 594/0 596/0 High/Low 20.60 20.72 20.83 20.92 21.19 21.25 21.45 21.60 20.17 20.33 20.47 20.58 20.80 20.92 21.15 21.35 High/Low 187.0 186.4 186.1 185.8 186.4 186.1 186.7 187.6 185.6 185.1 184.7 184.6 184.9 185.0 185.5 186.5 61b bushel High/Low 215/4 221/2 228/6 238/0 241/4 244/6 242/4 242/4 2124 2184 2260 2340 2392 243/2 241/2 240/4 280/2 294/0 295/2 301/0 300/0 301/0

Chicago

287/0 280/4 301/0 308/4 304/4 High/Los 77.900 75.475 75.675 75.625 75.226 76.250 73.500 76,900 74,660 75,150 75,075 74,800 75,800 72,625

51,500 48,450 48,250 41,000 41,200 41,200 45,900 Highton 50,650 47,700 45,325 40,025 40,075 40,200 39,576 45,276 34.200 33.550

Shares wilt as rate cut hopes fade

By Stave Thompson

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Widening

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change

THE RECENT bout of strength in the UK equity market, which has seen the FT-SE 100 index bump up against the top of its trading range, the 2,900 mark, evaporated yesterday as dealers decided that share prices have been "overcooked" and that the scope for a further reduction in interest rates had

Another substantial cash call, in the form of a £220mplus rights issue from MEPC, the property group, was a further depressant on the market as was a disappointing opening performance by Wall Street.

The more cautious view adopted by the market was further encouraged by remarks made by Mr Kenneth Clark, chancellor of the exchequer. His comments were read as indicating a determination to keep the lid on inflation.

Dealers signed off at the end of what was described as an uninspiring session seeking, but not generally expecting. encouragement on the direction of economic policy from Mr Clark, who delivered his first speech as chancellor at London's Mansion House

Stock prices settled around the day's lowest levels yesterday, although traders said activity continued to contract from recent levels. The equity market kicked off

makers opening prices around their overnight levels, encouraged by a good showing by Wall Street, and in spite of early news of MEPC's rights issue, the latest in a long line of cash calls from a property sector boosted by hopes of an early upturn and the recent intervention in the sector by Mr George Soros, the US

investment specialist.

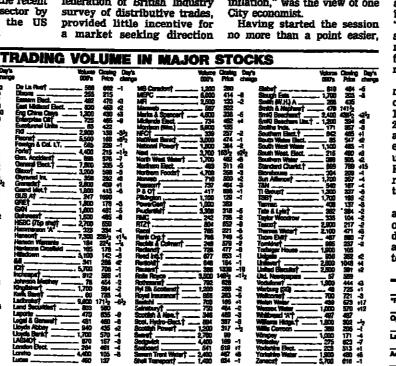
on a quiet note, with market-

What little early support was from the chancellor's Mansion in evidence quickly evaporated in mid-morning as a deterioration in the Footsie future took the ground from underneath the cash market.

The day's substantial batch of economic numbers, on industrial output and the Confederation of British Industry survey of distributive trades, provided little incentive for

House speech and awaiting the crucial May inflation numbers. "It now seems that there is

very little likelihood of a rate cut this week unless the inflation figures are very, very good indeed, and by that I mean no increase on the annual rate of inflation," was the view of one



tle and its statement revealed

that its Texas Homecare chain

had fallen short of trade hopes

Airtours pushed up 2 to 325p

while Thorn EMI fell back 7 to

which was floated in March in

an issue that was seven times

oversubscribed, was bouved by

good results to move up 13 to

After the High Court's

refusal to sanction Terry Ven-

ables' reinstatement as chief

executive of Tottenham Hot-

spur the share price fell back

another penny to 87p. It marks a slide of 7 in the stock, which

is USM listed, since the board-

room battle between Venables

and Alan Sugar resumed at the

Confirmation by Coats

Viyella that it has increased its holding in its Indian subsidiary

from 39.9 per cent to 51 per cent pushed up its share price

5 to 231p in a volume of 1.6m.

The Indian Government

granted permission for the

stake increase in the subsid-

iary which is renamed Coats

ket down to close 3 lighter at

556p in a volume of 1.3m.

Courtaulds followed the mar-

Among engineers and aero-

space, continued profit-taking

left British Aerospace 7 lighter at 393p. Smiths Industries shed

3 to 357p following the comple-

tion of a big buying order on Monday. Vickers put on 4 to

140p powered by a recommen-

dation from SG Warburg. The

84 per cent jump in profits at

FKI had already been dis-

counted by the market follow-

ing the stock's strong perfor-

mance for most of this year.

A talk-to-the-investors ses-

sion and positive comments

from NatWest Securities

enabled Unilever to push up 4

to 1048p with 2.6m shares traded. Share price buoyancy

of the company, which is opti-

Asia, followed a strong show-

ing on the previous day which

had been triggered by a similar

presentation in Amsterdam

Other gainers in food

included Dalgety which moved up 6 to 456p albeit in thin trad-ing; United Biscuits which put

on 2 to 391p and Unigate which

added 2 to 452p. One food analyst said investors were mak-

last friday.

mistic over its growth in East

The shares eased 31/2 to 138p.

court last week.

so far this year.

| Account | Pealing | Dates |
|---------------------------|---------------|------------|
| *First Dealings: Jun 7 | Jun 21 | Jul 5 |
| Option Declaratio | ne: Juli 1 | 15 اول |
| Last Dealings; Jun 18 | 2 اسل | -E- 16 |
| Account Day: Jun 28 | Jul 12 | Jul 28 |
| 'New time dealing | ney take | piace from |

Cash call upsets **MEPC**

THE latest in the property sector's tide of rights issues a call for £221m from MEPC took the shine off the sector, with the shares sliding in line with MEPCs, which fell 8 to 414p in a volume of 5.9m.

The company's one-for-five at 350p rights move was largely greeted with apathy by a sector which has now seen six major cash calls in three months. Mr Alan Carter at James Capel said: "We have come so far so fast and I think we are seeing a bit of tiredness setting in now. It is the last of the big rights issues and had been expected."

Cash calls in property since March include Great Portland Estates (£95m); British Land (£132m); Hammerson (£199m); Brixton Estates (£100.7m) and Slough Estates (£147.3m).

MEPC's rights issue, which one analyst calculated will knock down the company's gearing from about 85 per cent to 70 per cent, is likely to make MEPC a prime candidate for inclusion in the FT-SE 100 when the index is reviewed in A debt issue has not been

ruled out by the company. Continued profit-taking in the sector also contributed to a downbeat climate which saw British Land give up 8 to 303p. Among other property sector leaders, Brixton Estates lost 6 to 195p and Great Portland retreated 4 to 177p.

Waters wanted

The recently underperforming water sector staged a strong recovery as a number of

NEW HIGHS AND LOWS FOR 1993

NEW HSER'S (122).

AMERICANS (2) American T S T, Cadiz, OTHER FIDES STREEMERS (2) Inth Cap. 13pc 137-42.

85pc 10, BANGS (3) Lloyds, Standard Chartered, TSS, BEREWSS (3) Devembr 4Mpc Pr., Highland, Mansfeld, BL Dg, MATLS (3) Angles, Eprent, Heysterd, Mansfeld, BL Dg, MATLS (3) Angles, Epren, Heysterd Wellerms, Do Cr., Pt., Unigroup, BUSSMESS SERVIS (1) Concept, Control of Constitution (4) Beared Dw., Eva. Startet, Toron-Han, ELECTECALS (1) Calculay, BLECTFORMES (8) BOWNTON, FO, Falroy, Maggie, FOCO MANUE (1) Mchola, FOCO MINISTER, FOCO MINISTER, POTO MANUE (1) Mchola, FOCO MINISTER, POTO MINISTER, MINISTER, POTO MINISTER, POTO MINISTER, MINIST

IN SEC CY IL.

INSTITUTE PLANTS (22).

RITTISH PLANTS (22).

RITTISH PLANTS (23).

RITTISH PLANTS (21).

RITTISH (21).

RITTISH

the market's big action funds began to switch out of some of the generators and regional electricity stocks and into the waters. There was also a widespread view among sector spe cialists that the utilities' strong defensive qualities and the prospect of above average dividend increases in the next few years would provide strong underlying support for the

The water issues in the FT-SE 100 Index were the brightest performers, with North West Water following Monday's rise of 16 with a further gain of 9 to 462p. Anglian moved ahead 10 to 470p, Severn Trent 8 to 487p and Thames 3 to 471p.

Wessex Water's preliminary figures were at the top end of expectations, dealers said, triggering an advance of 12 in the stock to 570p. Welsh Water raced up 17 to 573p.

Manweb, the second of the "recs" to produce preliminary numbers, touched 526p before slipping back to finish unchanged at 522p. The com-pany topped East Midland's 14 per cent dividend, increasing its payment by 15 per cent.

Royal Ins placing

Shares in Royal Insurance declined 5 to 283p after the rump of the recent rights issue was placed by S.G. Warburg and Hoare Govett. With an 87.2 per cent take-up

of the issue reported, the outstanding 20.7m shares were successfully placed with institutions at 281p. The impact of the placing, along with general profit-taking, caused a retreat in the rest of the sector. General Accident eased 4 to 579p, Commercial Union lost 8 to 589p. Sun Alliance closed 4 lighter at 357p and Legal & General relinquished 6 to 460p. Banking group Standard Chartered was the strong feature in banks after a recommendation from S.G. Warburg

sent the shares 15 ahead to 769p. Trading was, however, The recommendation came after Monday's meeting with several analysts and helped boost the stock that has underperformed the rest of the sector in recent weeks. The rest of the banking sector traded

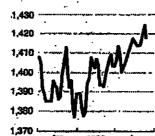
easier with the market. Lloyds fell 4 to 570p. Another decline in crude oil prices continued to unsettle an oil sector already weakened by the uneasy peace agreed at last week's Opec meeting in Geneva. BP attracted a fresh wave of US sellers and settled 2% off at 307%p on turnover of 6.1m shares. Shell, despite the encouraging noises from Monday's investment presentation, eased to 624p. Enterprise Oil

dropped 9 more to 465p. There was more downside pressure exerted on Zeneca where the £1.3bn rights issue closes next Monday. But dealers continue to take the view that the issue is safe; "it's a question of holding your nerve and waiting for the reward," was the view of one market optimist." Zeneca "old stock

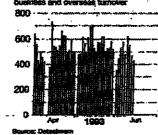
FT-A All-Share Index

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Equity Shares Traded



over of 3.7m and the "new" nilpaids eased a penny to 16p with a hefty 8.2m shares traded. ICI, where the recent US buying support has dried

up, eased 2 to 705p.
Fisons extended its recent strong showing, the shares moving up strongly to close a further 6% ahead at 168p on heavy turnover of 5.5m.

Guinness shares ended the day 8 lighter at 485p as the acceptance was announced of a management buy-out at the South Wales based Crown Brewery. Volume was modest at 1.6m. Elsewhere other large brewers suffered knocks with Bass losing 3 to 475p; Allied Lyons giving up 6 to 539p and Grand Metropolitan losing 6 to

close at 413p. Increased talk of takeovers stalked broadcasting shares. moving Anglia Television up 12 to 329p; Central Indepen-dent ahead 7 to 1925p and Scottish Television up 3 to 486p.

Reaction to its AGM state-ment pushed down Ladbroke to 61/4 to 1711/ap in an average turnover of 8m. One analyst said that the statement was "a shade disappointing" although didn't see any deep-rooted problems with the leisure group while another maintained that the shares had been overpriced and were now beginning to find their level.

ing tentative moves back to the sector. But the picture was Ladbroke is a large player in the DIY aggressive pricing bat-

FINANCIAL TIMES EQUITY INDICES June 15 June 14 June 11 June 10 June 9 ago "High "Low Ordinary share 2250.3 2882.9 2244.0 2238.5 2240.5 2087.0 2289.5 2124.7 Ord. dv. yield 4.12 4.18 4.12 4.13 4.13 4.54 4.62 4.07 Earning yid % tub 4.67 4.93 4.83 4.84 5.25 6.65 6.38 4.80 P.F. ratio not 28.29 25.92 28.65 28.47 24.01 18.83 26.25 18.40 P.F. ratio not 24.46 23.95 24.51 24.43 22.40 17.48 24.51 18.14 Bold Minus 188.8 170.3 179.5 178.8 175.8 105.3 202.7 60.0 Tor 1983. Ordinary share index since complishers high 2293.5 10:9/23 - low 49.4 25/5/40 Gold Mines Index since complisher high 734.7 15/2/53- low 49.5 25/10/71 Basis Ordinary share 1/7/26; Gold Mines 12/8/55.

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London report and latest Share Index Tel. 0891 123001. Calls charged at 36p/retrute cheap rate. 48p et all other times.

settled 1% off at 615%p on turn-

EQUITY FUTURES AND OPTIONS TRADING

STOCK INDEX futures gave up most of Monday's gains as hopes of a cut in interest rates faded, writes Joel Kibazo. The first trade in the June contract on the FT-SE 100 was struck at 2,895, Monday's clos-

ing level, and pointed towards another strong session. However, a feeling that cuts in interest rates were unlikely this week led to selling of the

contract. It fell further as independent traders (also known as locals) went on the offer, and a poor gilts sector, which had helped to underpin Monday's rise, also played its part in increasing the down-

ward spiral. The release of better than expected industrial and manufacturing production figures had no significant effect on trading. In the afternoon it was a poor Wall Street opening that brought a further retreat in the June contract and the day's low of 2,872 was

seen at 3.30pm. June closed at 2,878, an 8point premium to the underlying cash market. Volume in the June future was 9,864 lots, while 4,508 were dealt in the September contract.

Business in the traded options remained uneventful, with volume only slightly improving to 25,510 contracts. Some 9,006 were dealt in the FT-SE 100 option, which sees its June expiry today. The Euro FT-SE option was also active and recorded a total of 2,689 trades. In the stock options, TSB led the way with a total of 1,219 lots.

positive territory during the first hour or so of trading, the FT-SE 100 moved progressively lower, reaching the day's nadir of 2,869.7 as Wall Street

and enjoying a brief move into

The US market performed disappointingly, especially after what was viewed as a satisfactory May inflation figure. "The CPI number means no short term rise in US interest rates," was the emphatic view from a London trader in international stocks.

Share prices showed no inclination to rally towards the close, however, and the FT-SE 100 finished a net 15.5 down at 2,870.0. And the market's overall disenchantment with the ever-diminishing rate cut story upset the highly resilient FT-SE Mid 250 Index, which retreated from its all-time high

to end 8.1 off at 3.205.1. Turnover in the market was a disappointing 512.3m shares, only marginally above Monday's 500.1m, which was worth a fraction above £1bn in cus-

| tomer dusi | ness. | |
|---------------------------|-----------|--------|
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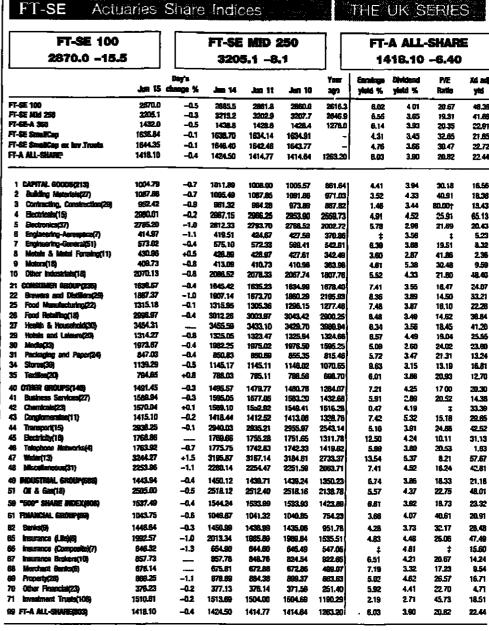
Steve Thompson, Joel Kibazo. Christine Buckley.

■ Other statistics, Pege 20

patchy - Cadbury-Schweppes slid 2 to 463p in a volume of 1.5m; Tate and Lyle also moved down 2 to 384p; Sainsbury lost 2 to 484p in a small volume and Tesco also gave up 2 to end

Volex was one of the best performers in the electricals/electronics areas of the market, the shares racing up 18 to 405p after the doubled profits. News that Quality Software, recently launched on the market, had won its first order for its Universal Olas systems, triggered a surge of buying interest in the company's shares, which closed 32 higher

MARKET REPORTERS:



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Additional information on the FT-SE Actuaries Share indices is published in Saturday Issues. Lists of constitute United, One Southwark Bridge, London SE1 SHL. The FT-SE Actuaries Share indices Service, which covers a rar relating to these indices, is swelshible from FIRSTAT at the same address.

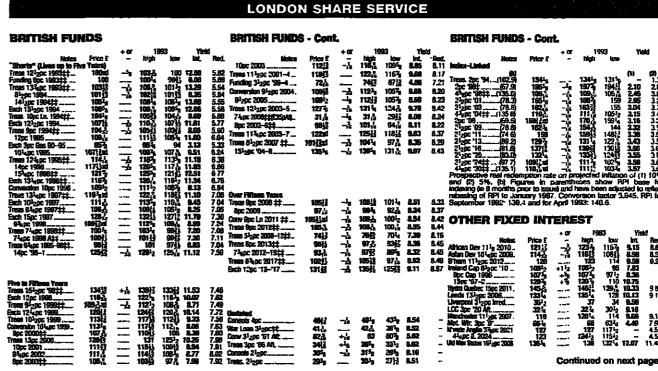
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Hourly movements



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No.8,177 Set by VIXEN

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9 Recruit given directions by heel (6)
10 Taking a reading is a bloomer! (8)

11 Taking a reading is a bloomer! (8)

12 Taking a reading is a bloomer! (8)

13 Taking a reading is a bloomer! (8)

12 Town wear (8)
13 The aim of campers? (6)
15 Study having to do with modern times (4)
16 Better change this grater!

(10) 19 He expects hard work to

(4)
23 Exercising some restraint, 18 To make a song about a vehicle reversing can be Ernest shut up (6) 25 A swimmer in pain and

cold game (8) old-fashioned getting into

8 Bearing with a mad charac-ter causing smash (7) (10)
He expects hard work to demand a lot in the trier

11 European man holding up post (7)
12 The head's about to hire (10) painter's equipment (7)
20 Pretty good entertainment 17 Drink alone - that's not to

unacceptable? (8)
7 Inane make-up for a girl (5)

DOWN

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27 Fell back – got up when questioned (8)

28 A club where there's beastly food set (6)

29 They may well leave one old came (8)

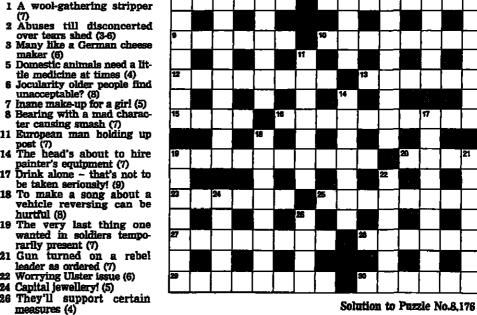
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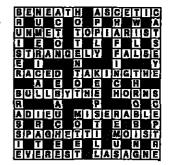
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22 Worrying Ulster issue (6)

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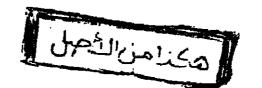
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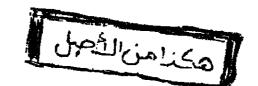
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FINANCIAL TIMES WEDNESDAY JUNE 16 1993 FT MANAGED FUNDS SERVICE ● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details. last Come Bid (Miles + or Yald Charge Price Price Price - Bris Philippine Income Fund Inc Quantitism Group Quantitism Group Quantitis Fund Emerging Scords Fil. | \$25712 29498 | -157.6 | Emerging Scords Fil. | \$2528 297.6 | -0.73 | Quantitism Fil. | \$2528 297.6 | -0.73 | Quantitism Fil. | \$2528.7 393.7 3-5.28 | Rolly-Haldmar Begules. | \$537.0 | \$537.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 | \$538.0 |

Gaddum softens D-Mark

THE DOLLAR gained more than 2 pfennigs against the D-Mark yesterday after a Bundesbank council member hinted that there could be another cut in official German interest rates this week, writes James

in recent weeks, Bundesbank officials have been bawkish about the prospect of more monetary easing in Germany, because of fears of inflation, the weakness of the D-Mark and the growing German money supply. Indeed, the last easing in German monetary policy came more than a month ago, when the repo rate

was cut to 7.60 per cent. Yesterday, Mr Johann Wil-helm Gaddum, the directorate member responsible for credit market operations, changed the mood, saying that a slow-down in the pace of German money supply expansion could give the Bundesbank room to lower interest rates.

This was seen by dealers as a strong indication that the M3 money supply figures might fall within the 4.5 per cent to 6.5 per cent target band set by In the first four months of

the year, M3 expanded at a seasonally adjusted and annualised 7.0 per cent.

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| June 15 | Lakest | Previous Clase | | | | | | |
|----------------|--|--|--|--|--|--|--|--|
| £ Spot | 1.5215-1.5225 0.36-0.35em 1.01-0.98pm 3.15-3.05pm | 1.5265 1.5275 0.36 0.34pm 1.01 0 99pm 3.13 3.05pm | | | | | | |
| Forward premis | Forward premiums and discounts apply to the US color | | | | | | | |
| STERLING INDEX | | | | | | | | |

| | | | -fune (5 | Previous |
|--|----|-----------------------|--|--|
| 8.30 9.00 10.00 11.00 Honn 1.00 2.00 3.00 4.00 | | | 79.8 79.7 79.7 79.7 79.6 79.8 79.5 79.5 | 79.4 79.4 79.4 79.4 79.4 79.3 79.4 79.4 |
| CI | UR | REN | CY RAT | TES |
| Jan 15 | | Bank & . Sabr % | Special * Drawing Rights | Europeso † Carrescy Unit |
| Sterling U.S Dollar Caration S | | 3.00 5.17 | 0.931501 1.42380 1.82460 | 0.786447 1.20381 1.54148 |

| Jun 15 | Bank # | Special Strawing Rights | Carrupteen † Carrustry Unit | | | | | |
|---|--|---|---|--|--|--|--|--|
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| & Black cate refers to central death discolant rates. These are not quoted by the UK, Spain and Indiand. † European Continuescono Calcabilities. All SQR pates are for Jupo 14 | | | | | | | | |

CURRENCY MOVEMENTS

| Jun 15 | Sank of England Index | Morgan ** Guaranty Changes % |
|---|-----------------------------|------------------------------------|
| Sterling | 79.5 | -30.11 |
| U.S Dotter | 63.9 | -14.30 |
| Canadian Dollar | 93.5 | -8.53 |
| Austrian Schülling . | 113.4 | +15.41 |
| Seiglan Franc | 114.7 | +1.03 |
| Danish Krone | 117.2 | +11.30 |
| D-Mark | 122 6 | +30.11 |
| Swiss Franc | 111.4 | +20.50 |
| Outch Guider | 118.3 | +20.34 |
| French Franc | 109.0 | -6.96 |
| Ura | 82.6 | -32.52 |
| Yen | 180.0 | +122.88 |
| Peseta | \$0.9 | -30.70 |
| Morgan Guara 1980-1982=100, (Average 1985=100) | Bank of Er | |

| Morgan | Guaran | ity cha | nges: | AVEC. | 1ge |
|--------------------|----------|---------|---------|-------|-----|
| Morgan 1980-198 | 2=106. 8 | ank of | Engla | nd (E | 336 |
| Average 19 | 905=100) | | are for | June | 14 |

| OTHE | R CURREN | ICIES |
|---------|--|---|
| Jun 15 | £ | S |
| Pinland | 1.5225 - 1.5245 - 2.5270 - 2.5270 - 2.5270 - 2.5270 - 2.5270 - 2.5200 - 2.5 | 5.4690 · 5.4690 219.600 · 224.050 7.7280 · 7.7290 1622.00 · 1624.00 798.30 · 804.70 |

in the European afternoon, the dollar rose sharply against the D-Mark on the back of these comments. Initially, the dollar had weakened below DM1.62 after the US consumer price inflation data for May showed a monthly rise of 0.1 per cent against market forecasts of 0.2 per cent.

This underlined expectations that the Federal Reserve would not lean towards tightening short term interest rates to curb inflation. But Mr Gaddum's comments reversed the trend: the dollar peaked at DM1.6413, and closed at DM1.6375, up more than a pfennig on the day.

The dollar's strength helped to reverse another strong per-formance by the yen in Tuesday's Asian trading.

The Japanese currency hit a post-war high of Y104.75 in Far Eastern trading. But this was seen as a strong technical resistance barrier, and the yen lost ground in the European

morning, dropping as low as Y105.88.

There were strong rumours in London that the Bundesbank and other European central banks were intervening on behalf of the dollar. But these could not be confirmed, and it was far from clear that it was in the Bundesbank's interests to support the dollar at the

current time.

European currency trading was thin, although the D-Mark showed some signs of weakness at the start of the European day, dropping to minus 17 percentage points against its divergence indicator.

Sterling rose most noticeably against the D-Mark, boosted by a Confederation of British Industry survey which showed that retailers were more opti-mistic about business pros-pects over the next three months than at any time since February 1987. The pound closed at DM2.4925 from a previous DM2.4800.

| | Ecu Contral Ratio | Currency Amounts Against Ecu Jun 15 | % Change Irons Central Rate | % Spread vs Westerst Currency | Obergence indicator |
|-----------------|-------------------------|--|--------------------------------------|--|------------------------|
| ringuess Escado | 192.854 | 188.266 | -3.42 -3.02 -0.81 -0.15 | 4.25 3.83 1.52 0.84 0.71 0.39 0.08 | 57 53 |
| panish Peatsta | 154,250 0,808628 | 149.598 0.802062 | -3.02 | 1 3,83 | 53 40 |
| sit Plant | 2.19572 | 2,19347 | -0.01 | 0.02 | 71 |
| Molan Franc | 40.2123 | 40.2074 | -0.61 | 1 275 | 4 |
| | 1.94964 | 1.95580 | 0.31 | 0.39 | -is |
| nist Krone | 7.43679 | 7.48231 | 8.51 | 0.08 | -15 -24 -34 |
| encia Franci | 6.53883 | 6.58426 | 0.89 | 0.00 | -34 |

| | TRO P De | pert milit | ed Ptr | differe | ance be deva | etwacu. Mon of | the ac | HEDCY' | current artes as a martes coursinne | ed Eco a rate i | ट्टमधर्म स्थान हि | व्यक्त है। विकाद | بو ادراد ای اجراد | 1616), 2. | and |
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| POL | IND SPOT | - FORWAR | ed <u>again</u> | <u> </u> | HE POUN | D_ |
|--|--|---|--|--|---|---|
| Jun 15 | Oay's spread | Clase | One month | 0.A. | These months | % p.a. |
| Richards Consider Con | 1,5200 - 1,5345 1,9450 - 1,9655 2,7859 - 2,9650 51,00 - 51,25 9,4675 - 9,9400 1,6775 - 1,2340 2,4825 - 2,4950 256,75 - 238,25 189,90 - 191,00 2758,00 - 2267,25 10,4775 - 10,5450 11,000 - 11,125 11,000 - 11,125 11,000 - 1,7,80 1,7,80 1,7,80 1,7,80 1,7,80 1,7,80 1,7,80 1,7,80 1,7,80 1,7,80 1,7,80 1,7,80 | 1.5215 - 1.5225 1.9470 - 1.9450 2.7825 - 2.8025 51.15 - 51.25 9.5275 - 9.5375 1.0215 - 1.0225 2.4900 - 235.00 19.000 - 190.30 19.000 - 190.30 265.78 - 2286.75 10.5350 - 10.5450 11.1025 - 11.1125 17.78 - 17.55 12.2225 - 2.2325 1.2745 - 1.2755 | 0.37-0.35cpm 0.27-0.15cpm 2-7-0.15cpm 2-7-0.05cpm 12-2-5 oresis 0.6-0.12cps 100-113cps 100-113cps 12-1-15cps 12-1-15cps 12-1-15cps 12-1-15cps 12-1-15cps 12-2-15cps 12-2-15cps 12-2-15cps 1-2-15cps | 284 145 145 177 175 175 175 175 175 175 175 175 17 | 1.01-0.95pm 4-9-0.12-16-0. 1-1-10-0.0 27-4-0.21-0.0 27-4-0.21-0.0 28-21-0.0 | 255 488 -1.13 -1.14 -1.17 -1.17 -1.18 -1.1 |
| tenmercial s 15-3.05pm | | he end of London tra | fing. Sta-martin for | ward del | tar 1.58-1.83 pm 1 | 2 Month |
| DOLL | AR SPOT | - FORWAR | D AGAIN | ST T | HE DOLL | AR |
| | Davie | | | | There | |

| | Dan Shoi | - LOUMY | IN VANIS | J | UE BAFF | - | |
|------------|--|--|---|--|---|--|--|
| Jun 15 | Day's spread | Close | One month | % p2 | Thee seeds | % ₽£ | |
| and† | 1.4450 - 1.4535 | 6.9225 - 6.9275 5.5075 - 5.5125 7.2950 - 7.3000 105.55 - 105.65 11.4800 - 11.4850 1.4625 - 1.4635 | 98-102cds 8.60-9 10freds 1.85-2.40creds 1.95-2.05cds 1.95-2.05cds 1.90-3.80creds 0.01ds-0.01ypm 3.80-4.10grads 0.24-0.27cds | 2445688888838860388 44568888838860388 | 1.01-0.98pm 1.44-1.38pm 0.48-0.30dm 1.50-1.536 1.50-1.536 1.75-1.788 357-3756 357-37 | 26) 380 -148 -148 -148 -148 -148 -148 -148 -148 | |
| nmercial i | 1.1935 - 1.2056 1.1945 - 1.1955 0.50-0.48cpm 4.97 1.25-1.23pm 4.15 Insertify rates taken towards the end of London trading. If UK, tetand and fisco are quoted in US currency, and otherwise and discounts acret to the Insertify and fisco. | | | | | | |

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| Jun 15 | Short term | 7 Days notes | One Missih | Three Months | Six Months | One Year |
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| ,000g 10000 142-5 ¹ 4 pt | Eurodož v cent o | are had y Coningi. S | per 4½. Hal jem | 414 par (1888) 25 | e call for | US Dalla | (2-41) pa | r cesat, for Kallesse Ye | a year R, others | 5.]-5.j. p 500 day | r cert; i r netice, | 44 PE |
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| £ | 1 | 1.522 | 2.492 | 160.7 | 8.385 | 2227 | 2.797 | 2266 | 1.947 | 51.20 | 190.1 | 1.2 |
| | 0.657 | _1 | 1.637 | 105.6 | 5.509 | 1.463 | 1.838 | 1489 | 1.279 | 33.64 | 124.9 | 0.8 |
| | 0.401 | 0.611 | .1_ | 64.49 | 3.385 | 0.894 | 1.122 | 309.3 | 0.781 | 20.56 | 76.28 | 0.5 |
| | 6.223 | 9.471 | 15,51 | 1000. | 52.18 | 13.86 | 17.41 | 14101 | 12.12 | 318.6 | 1183 | 7.9 1.5 |
| | 1,193 | 1.815 0.683 | 2.972 1.119 | 191.7 72.16 | 10. 3.765 | 2656 | 3.336 1.258 | 2702 1018 | 2.322 0.874 | 61.06 22.98 | 226.7 85.36 | 0.5 |
| | 0.449 0.358 | 0.544 | 0.891 | 57.45 | 2.998 | 0.796 | 1.230 | 810.2 | 0.896 | 18.31 | 67.97 | 0.4 |
| | 0.441 | 0.672 | 1.100 | 70.92 | 3700 | 6.983 | 1.234 | 1000 | 0.858 | 22.59 | 83.89 | 0.5 |
| | 0.514 | 0.782 | 1,280 | B2.54 | 4.307 | 1.144 | 1.437 | 1164 | 1 | 26.30 | 97.64 | 0.6 |
| | 1.953 | 2973 | 4,867 | 313.9 | 16.38 | 4.350 | 5.463 | 4426 | 3,803 | 100 | 371.3 | 24 |
| | 0.526 | 0.801 | 1.311 | 84.53 | 4.411 | 1.171 | 1.471 | 1192 | 1.024 | 25.93 | 100 | 0.6 |
| | 0.784 | 7.194 | 1.355 | 128.0 | 8.578 | 1.747 | 2.194 | 1777 | 1.527 | 40.16 | 149.7 | -1 |

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MONEY MARKETS

Awaiting Bundesbank

SOME money market dealers yesterday moved towards the view that the Bundesbank could cut interest rates at its fortnightly council meeting this week, writes James Blitz.

The D-Mark has remained soft inside the European exchange rate mechanism in recent days, adding to speculation that the Bundesbank might resist cutting interest rates, a move that would allow the currency to depreciate further,

UK clearing bank base lending rate 6 per cent from January 26, 1993

But comments earlier this week from Mr Otmar Issing. the Bundesbank's chief economist, have led some dealers to think that the Bundesbank might ease monetary policy tomorrow for the first time in a month.

Mr Issing said that M3 money supply figures for May - due out this week - should fall inside the Bundesbank's target range, having badly overshot the parameters in April. The tone of the remarks contrasted with the hawkishness of his colleagues earlier this month.

Moreover, there has been no overt hawkishness from the Bundesbank in the run-up to this council meeting. "If the Bundesbank were going to leave rates unchanged, you might have expected them to soften up the market first," said one dealer yesterday.

Yesterday's announcement that there will be a variable rate tender for funds over 14 days and 28 days gave no clues as to what the Bundesbank will do with the repo rate today. However, call money applied no pressure on the repo, the lowest accepted rate for which is 7.60 per cent. Call money was several basis points more expensive yesterday, at 7.85 per cent, as June tax payments started to drain funds from the market.

Euromark futures were bullish for rate cuts. The September contract closed at 93.30, up 4 basis points on the day, and pricing nearly 100 basis points off 3 month money

in the next 12 weeks. Sterling markets were quiet in anticipation of the chancellor of the exchequer's Mansion House speech

vesterday. The September short sterling contract dropped 1 basis point on the day, closing at 94.17. The June contract, which expires today, closed in line with 3-month money at 94.06.

The 3-month cash rate closed h per cent softer at 5% per cent, following the swift despatch of a £1bn shortage in the discount market.

FT LONDON INTERBANK FIXING (11.00 a.m. June 15) 3 months US dollars offer 3.2

The fiding rates are the arithmetic means rounded to the nearest one-stateenth, of the bid and offered rates for \$10m quoted to the market by five reference barries at \$1.00 s.m. each working day. The banks are National Westminater Bank, Bank of Tokyo, Deutsche Bank, Sanque National de Paris and Morgan Guaranty Trust.

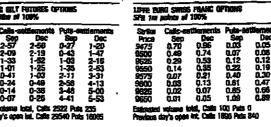
| | MONEY RATES | |
|------------|-----------------|------------|
| NEW YORK | Treasury 69% en | d Bonds |
| Lunchtime | One month 2.96 | Three year |
| Prime rate | 6 Three month | Seven year |

| June 15 | Overnight | One Microlin | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|--|---|---|-----------------------------|
| rankfurt eris | 7.75-7.85 7-8-7-34 51-5-3- 7.00-7.12 3-7-3-3 10-3-10-3 7-71-5 57-7 | 7.70-7.80 7.2-7.9 51-51: 5.98-7.03 10 ¹ =-10.6 7-7 ¹ = 87 ₈ -7 | 7.60-7.70 - - - - - 6 ² 8-7 | 7.55-7.65 7 ¹ 4-7 ³ 8 5-5 ¹ 8 6.80-6.68 10 ¹ 8-10 ¹ 6 7-7 ¹ 8 678-7 | 7.20-7.35 - - - - 67 ₈ -7 | 8.50 7.25 - - - |
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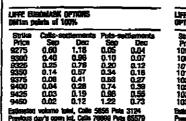
3.05 413 424 778 3.11 45 45 75 75 Treasury Siles (self); one-month 5½ per cent; three months 5½ per cent; she months 5½ per cent; Black (self); one-month 5½ per cent; three months 5½ per cent; Treasury Bitts; Awarage bander rate of discount 5.1638 per cent; Treasury Bitts; Awarage bander rate of discount 5.1638 per cent; Treasury Bitts; Awarage bander rate of discount 5.1638 per cent; 1993 5.1993 5.1993 5.1993 5.1993 1.1993 5.1993 1.1993 5.1993 1.1993 5.1993

LIFTE BURG SWISS PRANC OFFICIALS SPR 100 points of 190% LIFFE LONG GELT FUTURES OFFICES ESOLOGO Beller of 100%

FINANCIAL FUTURES AND OPTIONS



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93.64 93.64 93.93 istimated volume 1827 (2283) Previous day's open Inc. 18906 Sep Dec 95.61 95.83 95.73 95.76 95.83 95.83 95.76 95.76

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Estimated volume 14372 (18890) Previous day's open int. 52595 (51514) Contracts traded on APT. Closing prices stown.

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FINANCIAL TIMES WEDNESDAY JUNE 16 1993 MONEY MARKET

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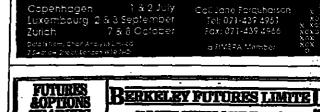
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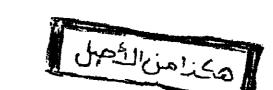


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| | If you work in the business centres of Maimo, Lund, Stockholmson for details (08) 666 0065. copy of the FT to your office at no extra cost. Call Bradley Johnson for details (08) 666 0065. | Coording Coordina Coo | 17 16 kg 16 kg - kg 19 kg 18 kg + kg 12 kg 31 kg 32 kg + kg 2 kg 2 kg 2 kg | | | | | | | |
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More good inflation news fails to lift Dow

Wall Street

ANOTHER batch of good news on inflation failed to lift stock market sentiment yesterday as equity prices eased slightly in moderate trading, writes Patrick Harverson in New York.

At 1 pm, the Dow Jones Industrial average was down 9.13 at 3,505.56. The more broadly based Standard & Poor's 500 was 0.74 lower at 446.99, while the Amex composite was down 0.11 at 435.07, and the Nasdaq composite up 0.98 at 697.39. Trading volume on the NYSE was 134m

shares by 1 pm.
After last week's promising May producer prices report, which suggested that inflationary pressures in the economy were not as strong as originally feared, dealers and investors were hoping that yesterday's May consumer prices data would prove a similar

In the event, the numbers were encouraging: the Labor department said that the consumer price index rose by only 0.1 per cent last month, and that the "core" measure of prices (which excludes the volatile food and energy compo-The figures were slightly betrule out the likelihood of an interest rate rise by the Fed-

The good news, however, did not persuade investors to buy stocks. Concern about the weak state of the economy, the absence of a big, upward mov-

SAO PAULO was 4.6 per cent higher in midsession trading as investors reacted positively to the austerity measures announced by the Brazilian government on Monday night. The Bovespa index was 2,083

stronger at 47,246.
News that the government would speed up the sale of its power utility system lifted Eletrobras by 11.5 per cent.

ein bond prices, and a sharp decline in IBM shares may have been behind the markets' poor performance. At one stage points, before recovering.
IBM fell \$1% to \$50% in vol-

ume of 1.7m shares after Salomon Brothers warned that there might be further writeoffs at the company, which could lead to IBM halving its

Eastman Kodak, which rose sharply on Monday in anticipation of a big announcement from the company, dropped \$\%

ter than forecast, and probably to \$53% in volume of 1.8m shares after it revealed plans to spin off its Eastman Chemical subsidiary.

Heinz fell \$1 to \$36% after announcing a \$192m pre-tax restructuring charge for the fiscal fourth quarter, which depressed after-tax earnings for the quarter to \$69.7m, down from \$145.7m a year ago.

busy trading as investors reacted negatively to the company's warning that its second quarter earnings will come in well below market estimates. Tiffany jumped \$3 to \$31% on the news that it will assume

Reebok plunged \$5% to \$29 in

marketing and merchandising for 29 stores currently operated in Japan by Mitsukoshi

TORONTO was strong in precious metals in otherwise steady midsession trading. The TSE-300 index was 2.13 higher at 3.874.29 in volume of 26.5m shares valued at C\$271.2m Declines edged advances by 291

The precious metals index was up 90.83, or 1.1 per cent at 8.097.81, defying a slide in Comex gold futures which had weakened after lower than expected US consumer price

ASIA PACIFIC

Tokyo falls back 1.7% as the yen continues to rise

A STALEMATE over the government's political reform policy, compounded with a further rise in the yen, discouraged investors, and the Nikkei average fell 1.7 per cent on selling by margin traders and investment trusts, writes Emiko Terazono in Tokyo.

The 225-issue average ended 351.47 off at the day's low of 20,045.88, having registered a high for the session of 20,393.23 in the morning.

Volume was 350m shares, against Monday's 261m. Sales were spread across the board, with declines overwhelming advances by 1,037 to 73, with 61 issues unchanged. The Topix index of all first section stocks dipped 39.58 to 1.619.88, and in index shed 2.45 to 1.216.32.

The dollar closed at a new low of Y105.03, down Y0.17, after briefly falling below Y105. Active buying by the Bank of Japan, however, supported the dollar. Traders said a fall of the Nikkei through 20,000, due to a further rise in the yen, would heighten calls for a cut in the

official discount rate. Investors turned sellers as uncertainty over the passage of the political reform bill intensified, prompting fears that Mr Kiichi Miyazawa, the prime minister, who vowed political reform, would be forced to resign. Concern that such developments might affect the economic planning ability of the government unnerved

Exporters continued to face selling. Toshiba lost Y24 to Y690, NEC Y15 to Y985 and Toyota Motor Y70 to Y1,570. Banks, which had been of an imminent interest rate

Industrial Bank of Japan declined Y100 to Y2,940, while Sumitomo Bank receded Y70 to

Other interest rate-sensitive issues were also down, with Nippon Steel, the day's most active issue, losing Y13 at Y392 and NKK slipping Y10 to Y323. Nippon Telegraph and Telephone fell Y13,000 to Y946,000

Daiei, the country's largest supermarket chain, which announced plans to absorb three retailing affiliates, dropped Y90 to Y1,060. Securities companies lost

ground, with the sector, the top loser of the day, down 3.9 In Osaka, the OSE average fell 558.13 to 22,376.46 in vol-

ume of 18.5m shares. Roundup

AMONG THE region's markets profit-taking was much in

HONG KONG closed slightly higher as afternoon profittaking trimmed early gains, with the market awaiting news from Sino-British talks in Beijing on the colony's political

The Hang Seng index fin-ished 16.72 firmer at 7,283.46 after climbing 81 points early in the day. Turnover was moderate at HK\$4.3bn.

SEOUL slipped back for the fifth consecutive session, the composite index losing 1.63 to 757.84, off the day's high of 761.63. Turnover contracted to

TAIWAN reversed early losses to end moderately higher on cautious bargain hunting after recent falls. The weighted index, which had dropped more than 25 points in early trading, closed

over shrank to T\$10.2bn. MANILA fell back as many investors awaited imminent new public listings. The composite index lost 12.85 to 1,568.42 in turnover of 202.6m

KUALA LUMPUR continued to decline, the composite index shedding 3.74 to 739.42. Volume was 494.8m shares, against Monday's 811.9m. In SINGA-PORE the Straits Times Industrial index weakened 23.00 to

> AUSTRALIA traded in a tight range in spite of a weaker gold bullion price. The All Ordinaries index put on 9.7 at 1.724.0 in A\$45.5m turnover. NEW ZEALAND was led higher by an 8-cent gain in Fletcher Challenge to NZ\$2.74. The NZSE-10 index advanced

> > over of NZ\$19.0m. BANGKOK was mixed as investors sold major property shares to take profits. The SET index gained 2.93 at 871.17 in active turnover of Bt6.42bn.

Krung Thai Bank, whose Bt10 par shares will start trading today, rose Bt10 to Bt396 and was the most active stock. **BOMBAY** fell sharply on reports that a stockbroker at the centre of the country's big-gest financial scandal had offered to turn state's witness to testify about possible payoffs to leading politicians. The BSE index declined 68.41 to

SOUTH AFRICA

2,289.13.

INDUSTRIAL shares gained ground in late trading on futures-related buying and the index improved 39 to 4,629. The golds index advanced 33 to 1,595 and the overall index 28 to 3,932. De Beers rose 50

Catastrophes enrich the top reinsurers

Shares in Munich Re and Swiss Re have put on speed recently, writes Richard Lapper

B uoyed by tightening capacity and rising reinsurance premium rates, Munich Re and Swiss Re, the world's first and second biggest reinsurance companies, can look forward to a period of rising prosperity. Their shares have surged ahead strongly in recent months.

On past experience the "turn" in the insurance cycle augurs well for the reinsurers. Between 1984 and 1986, the last time reinsurance rates rose significantly, the share prices of Munich Re and Swiss Re doubled relative to their local stock markets and tripled in

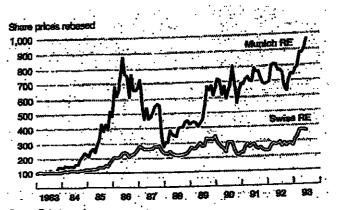
With the reinsurance market in a similar state of buoyancy today, reinsurers could be embarked on a similar bull run. Underpinning the upturn is a fall in the capital committed to reinsurance markets, following a sharp growth in the frequency and cost of natural catastrophes. The cost of major storms in the 10 years between 1983 and 1992 escalated to \$52.1bn compared with \$18.9bn between 1980 and 1989.

The failure of many Lloyd's syndicates and smaller London market companies - which acted as "reinsurers of last resort" - has reduced drastically the supply of high level leading to cumulative rate s of up to 800 per cent for high level catastrophe reinsurance over the past four years, and more moderate rises across the board.

Messrs Michael Huttner and Angus Runciman, analysts with BZW Research, estimate that capital available to back reinsurance premiums has fallen by some £4.8bn over the last three years. "The hard market," BZW predicts, "will be sustained for the next three

market has led to a "flight to quality" by buyers seeking greater security from reinsurance companies. BZW expects bigger companies to dominate "two-tier market", with the market share of the world's top 15 reinsurers winning market share at the expense of smaller competitors.

The collapse of the London



Reflecting these new market conditions, shares of reinsurers have begun to rise strongly. Last month the share price of Munich Re's registered stock reached DM3,220, an increase of more than 30 per cent from their 1992 average of DM2,510 and in excess of 50 per cent from their 1992 low of DM2,065. The price of Swiss Re's registered shares touched SFr3,100 in mid-April, nearly 50 per cent above their 1992 average

Analysts are almost uniformly bullish. Mr Tom Bennett, of Paribas Capital Markets, says that following its strong performance in recent months, Munich Re has a further dimension as a heavily discounted investment trust. with its net worth of more than DM5,000 per share based largely on a strong portfolio of German equity investments.

BZW suggests that "Munich

Re . . . would probably outsurvive its competitors in the event of the worst possible event (for the reinsurance mar. kets), a Tokyo earthquake" and also recommends investors to buy SCOR, the smaller French reinsurance company, as well

Mr Peter Constable, an ang lyst with Flemings Research also favours Swiss Re, which has recently refocused on to its core reinsurance business, fol lowing an ill-fated diversities tion into service companies in the 1980s.

He says the company will be a major beneficiary from recent rate increases. But with foreigners still unable to but the company's registered shares, and bearer shares thin on the ground, Mr Constable recommends that large inves tors buy participating certifi. cates issued by the company.

Mr Constable, however sounds a cautious note on Munich Re. He says the compa ny's results in the past two years have been supported by a release of provisions in 1990 and 1991 and by "abnormally large" realised gains in 1991

Milan shaken by more Ferruzzi shock waves

price of SFr2.322.50.

SENIOR markets were weaker yesterday as Wall Street opened easier, writes Our Mar

MILAN continued to be Ferruzzi group companies, while the end of the June account today also exerted a negative influence as the Comit index lost 14.07 to 513.37. An additional burden was

placed on the Ferruzzi group following Monday's postbourse announcement of a L1,058bn, two-for-one rights issue from Fondiaria, the country's third largest private-sec-

Fondiaria is controlled jointly through the Gaic holding company by Ferruzzi and the family of Mr Camillo De Benedetti, who died earlier this year. It closed L2,742, or 10 per cent lower at L24,101 while Gaic was suspended to the end of the session after it, too, fell by some 10 per cent.
Some analysts noted that

since neither Gaic, nor the debt-laden Ferruzzi are in a position to subscribe, the underwriting banks – Mediobanca, BCI, Banca de Roma, Credito Italiano and San Paolo would be left with effective control of the insurer.

down L68.80 at L593.50 while Montedison, which is reported to be about to dispose of its Himont and Ausimont subsidiaries, settled at L779, down

FRANKFURT eased back, wary of the Bundesbank meeting tomorrow and the "triplewitching" closure of DTB options contracts on Friday. The DAX index fell 7.88 to 1,684.10 in turnover reported to be lower than Monday's DM5.9bn.

The DTB effect was suspected in the performance of Commerzbank, which rose by DM4 to DM303.50 against the market and against the sector - Deutsche Bank fell DM4 to DM695.50 - and traded in 400,000 shares, four times its usual volume on Ibis, the German screen-based dealing sys-

In retailing, Karstadt and Kaufhof underperformed the market. Mr Roland Wren, a dealer with James Capel in

| FT-SE | Actu | aries | s Sh | are | Indi | ces | . 20. 3 | 574 | |
|--|------------|---------|--------------------|---------|----------------|------------------|-----------------|-------------------|--|
| June 15 Hourty changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | | UROPEA 15.00 | N SERIES Class | |
| FT-SE Eurotrack 100 FT-SE Eurotrack 200 | 1175.56 | 1174.74 | 1174.13 1230.69 | 1173.21 | 1173.97 | 1173.59 | 1173.69 | 1173.17 | |
| | Jun 14 | | Jun 11 | June 10 | | June 1 | 9 3 | Jume 8 | |
| FT-SE Eurotrack 100 FT-SE Eurotrack 200 | 118 123 | | 1181.85 1232.37 | | 31.45 30.25 | 1181.5 1230.0 | | 168.70 218.08 | |

Frankfurt, said that both had climbed recently on surprisingly good results, but that this was now old news and investors were coming back to the study of cyclicals in the hope that German recovery prospects will be a talking point after the summer.

PARIS eased back in technical trading and light turnover as the CAC-40 index finished down 18.98 at 1,897.86. Turnover was some FFr1.9bn. The oil sector was weak, in

9226 Value 1000 (26/19/90) Haphilay; 1910 - 1175,7%; 200 - 1282,8% Louisber: 100 - 1171,89 200 - 1226,24. line with falling crude prices with Elf down FFr5.80 to FFT377.80 and Total losing FFr2.20 to FFr263.00.

> Michelin slipped FFr3.50 to FFr144.00 on profit-taking after a recent strong performance, while Pengeot was off FFr17 to FFr510 as investors began to anticipate bad news at next week's annual meeting.

> MADRID advanced, mostly late in the day, to its fourth consecutive gain following its losses on the Socialist election

victory. The general index closed 1.40 higher at 259.89 in

turnover of Pta16.5bn. Mr Peter McGahan of Schroder Securities said that a major Spanish bank executed some fairly large UK orders for banks, and Repsol. BBV rose Pta50 to Pta3,115 and Repsol Pta65 to Pta3,290.

ZURICH extended its period of profit-taking, the SMI index falling another 20.2 to 2,274.0. Nestlé lost SFr9 to SFr1,092, SBC SFr7 to SFr383 in a weak banking sector and, elsewhere in financials, Swiss Re dropped SFr100 to SFr3,050.

AMSTERDAM rose modestly, helped by DSM's Fl 2.00 gain to F188.20 on recent positive comment for cyclical stocks. However, Hoogovens, which

has a done well over the last few days, lost Fl 1.30 to Fl 32.40 as some investors decided that it was time to take profits. The CBS Tendency index

Another strong performer was Fokker, up Fl 1.10 to Fl 15.90, after announcing orders for new aircraft.

STOCKHOLM rose on US buying with the financial sector gaining 4.8 per cent and the Affärsvärlden general index 5.50 to 1.075.70. TEL AVIV reversed a sham

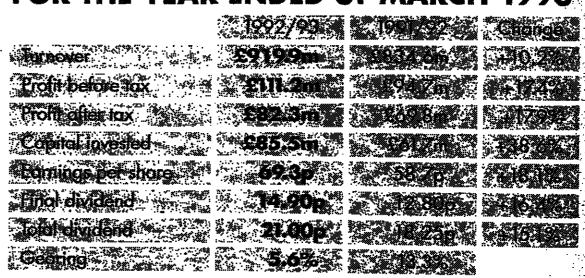
two-day decline after the Israeli prime minister, Mr Yitzhak Rabin, quashed rumous that the government would soon impose a capital gains

The Mishtanim blue chb shares index jumped 5.77, or 29 per cent to 202.43 in turnover of Shk195m.

ISTANBUL failed to break through the 10,000 level as the index closed 43.69 higher at 9,804.36 with investors continuing to react positively to the pointment of Mrs Tansu Ciller as prime minister.

SHARING THE BENEFITS

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH



HIGHLIGHTS

- Pre-tax profits increased to £111.2m
- 15.1% increase in total dividend
- 1% reduction in prices from July 1993
- 1% volume growth in electricity distributed ■ £85.5m capital investment as planned
- Improvements across a wide range of customer services

Chairman, Bryan Weston, said

"We have had another excellent year in which the financial performance of the Company has been strengthened. The benefits of our achievements will be shared between our shareholders who will receive an increase on their dividend and our customers who will have electricity prices cut from July. We have invested over £85 million in the business with the results coming through in improvements across a wide range of customer services."



The Company's Annual Report will be sent to all shareholders in early July. Copies are available from the Company Secretary, Manweb plc, Sealand Road, Chester CH1 4LR. For share price information call our Shareholder Helpline on 0839 500543.

Calls at peak rates will be charged at 48p per minute and 36p per minute at any other time.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| REGIONAL MARKETS | MONDAY JUNE 14 1983 | | | | | | | | | FRIDAY JUNE 11 1993 | | | | | DOLLAR INDEX | | |
|--|-----------------------|----------------------|----------------------------|--------------|------------------|----------------------------|--------------------------|------------------------|-----------------------|----------------------------|--------------|-------------|----------------------------|-------------------------|--------------|------------------------|--|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Starting Index | Yen index | ÇM śndex | Local Currency Index | 1993 High | 1893 Low | Year ago (approx | |
| Australia (68) | 132.91 | -0.8 | 129.01 | 88.30 | 112.22 | 131.10 | +0.0 | 3.82 | 134,04 | 130.27 | 89,86 | 113.28 | 131,10 | 144.19 | 117.39 | 148.6 | |
| wstria (18) | 149.24 | +0.7 | 144.85 | 99.15 | 126.00 | 125.99 | +0.8 | 1.56 | 148.15 | 143,98 | 99.32 | 125.20 | 124.96 | 150.96 | 131.16 | 175.3 | |
| 3elglum (42) | 145.84 | +1.0 | 141,55 | . 86'88 | 123.14 | 120.13 | +0.8 | 4.76 | 144.40 | 140,34 | 96.79 | 122.03 | 119.12 | 156.76 | 131.19 | 144. | |
| | 127.29 | +0.3 | 123.54 | 84.58 | 107.46 | 118.12 | +0.4 | 2.85 | 126.90 | 123,33 | 85.07 | 107.24 | 117.62 | 129.97 | 111.41 | 127. | |
| Denmark (33) | 217.64 | +0.2 | 211,24 | 144.59 | 183.75 | 183.67 | +0.3 | 1.23 | 217.18 | 211.07 | 145.59 | 183.54 | 183.14 | 225.64 | 185.11 | 239. | |
| inland (23) | 90.09 | -1.1 | 87.44 | 59.86 | 76.07 | 102.75 | -1.3 | 1.19 | 91.06 | 88.50 | 61.05 | 76.95 | 104.15 | 100.92 | 65.50 | 78. | |
| rance (97) | 156.66 | -0.3 | 152.05 | 104.07 | 132.26 | 134.17 | -0.2 | 3.35 | 157.13 | 152.71 | 105.33 | 132.78 | 134,45 | 167.36 | 142.72 | 161. | |
| Dermany (62) | 114.17 | +0.6 | 110.61 | 75.86 | 96.39 | 96.39 | +0.5 | 2.20 | 113.45 | 110.26 | 76.06 | 95.87 | 95.87 | 117.10 | 101.59 | 124, | |
| long Kong (55) | 298.18 | +0.0 | 287,48 | 196.77 | 250.08 | 293.88 | +0.0 | 3.21 | 296.20 | 287.87 | 198.56 | 250.33 | 293.88 | 30 1. 6 1 | 218.82 | 245. | |
| reland (15) | 163.35 | -0.4 | 158.54 | 108.52 | 137.92 | 153.39 | -0.2 | 3.52 | 184.08 | 159.46 | 109.99 | 138.66 | 153.77 | 170.40 | 129,28 | 158. | |
| aly (73) | 68.61 | -0.4 | 66.59 | 45.58 | 57.92 | 75.68 | -0.5 | 224 | 88.85 | 66.91 | 48.15 | 58.18 | 76.05 | 72.82 | 53.78 | 70. | |
| apan (470) | 155.96 | +1.0 | 151,37 | 103.61 | 131.69 | 103.61 | +0.0 | 0.80 | 154.49 | 150.14 | 103.56 | 130.57 | 103.56 | 155.96 | 100,75 | 100. | |
| (189) | 349.34 | +0.6 | 339.07 | 232.08 | 294.95 | 344.90 | +0.4 | 1.96 | 347,14 | 337.37 | 232.70 | 283.36 | 343.66 | 349.34 | 251,86 | | |
| /lexico (18) | 1430.18 | -0.3 | 1395.90 | | 1214.28 | 4907.58 | -0.4 | | | 1401.76 | | | 4929.61 | 1725.81 | | | |
| letherland (24) | | +0.4 | 165,25 | 113.11 | 143.76 | 141.51 | +0.5 | 3.89 | 169.65 | 164.88 | 113.72 | 143.37 | 140.81 | 172.75 | 150.39 | 163, | |
| ew Zealand (13) | 48.77 | -0.5 | 47,33 | 32.40 | 41.18 | 47.69 | -0.5 | 4.65 | 49.01 | 47.63 | 32.86 | 41.42 | 47.93 | 49.82 | 40.56 | 46. | |
| lonway (22) | 153.09 | +0.3 | 148.58 | 101.70 | 129.25 | 142.80 | +0.4 | 1.85 | 152.62 | 148.33 | 102,31 | 128.98 | 142.26 | 168.21 | 137.71 | 183. | |
| ingapore (38) | 256.13 | -1.0 | 248.60 | 170.16 | 216.25 | 189.97 | -1.0 | 1.81 | 258.67 | 251.40 | 173,41 | 218.60 | 191.86 | 262.72 | 207.04 | | |
| outh Africa (60) | 192.16 | -1.7 | 186.51 | 127.66 | 162.24 109.88 | 194.67 | -1.3 | 2.58 | 195.49 | 189.99 | 131.04 | 165.20 | 197.19 | 201.01 | 144.72 | | |
| pain (46) | 130,15 | +0.1 | 128.32 | 86.47 | | 122.75 | +0.1 | 4.86 | 130.02 | 126.36 | 87.16 | 109.87 | 122.58 | 132.82 | 115.23 | 153. | |
| weden (36) | 177.55 | -0.7 | 172.33 | 117.96 | 149.91 | 189.91 | -0.4 | 1,77 | 178.83 | 173.80 | 119.88 | 151.13 | 190.67 | 184.06 | 149,70 | 196. | |
| witzerland (52) | 128.47 | -0.4 | 124.70 | 85.36 | 108.48 | 115.41 | -0.5 | 1.89 | 129.01 | 125.38 | 86.49 | 109.04 | 115.94 | 129.36 | 108.91 | 108, | |
| | 179.12 | +0.9 | 173.85 | 118.99 | 151,22 | 173.85 | +0.8 | 4.00 | 177.54 | 172.54 | 119.00 | 150.02 | 172,54 | 181.99 | 162,00 | 193. | |
| SA (519) | 182.86 | +0.1 | 177.48 | 121.49 | 154,40 | 182.86 | +0.1 | 2.80 | 182.64 | 177.50 | 122.44 | 154.35 | 182,64 | 188.27 | 175,38 | 167. | |
| | 147.11 | +0.4 | 142.79 | 97.74 | 124.21 | 134.83 | +0.3 | 3.30 | 146.55 | 142.43 | 98.24 | 123.86 | 134.38 | 149.02 | 133.92 | 153,7 | |
| ordic (114) | 165.49 | -0.5 | 160.62 | 109.94 | 139.72 | 155.83 | -0.3 | 1.59 | 166.26 | 161.59 | 111.46 | 140.51 | 157.28 | 171.77 | 142.13 | 181. | |
| actric Basin (713) | 159.07 | +0.8 | 154.39 | 105.68 | 134.31 | 110.18 | +0.0 | 1.06 | 157.79 | 153.35 | 105.78 | 133,35 | 110.14 | 159.07 | 105.89 | 107. | |
| uro-Pacific (1475) | 154,05 | +0.6 | 149,52 | 102.34 | 130.06 | 120.87 | +0,2 | 1.94 | 153,06 | 148.76 | 102.60 | 129.35 | 120.69 | 154.05 | 117.26 | 126.0 | |
| | 179.40 | +0.1 | 174.12 | 119.20 | 151.49 | 178,45 | +0.1 | 2.80 | 179,17 | 174.13 | 120.12 | 151,44 | 178.21 | 182.38 | 171,51 | 164. | |
| | 127.26 | +0.0 | 123,52 | 84.56 | 107.47 | 112.85 | +0.0 | 2.82 | 127.22 | 123.64 | 85.30 | 107.53 | 112,79 | 128.65 | 112.51 | 130.0 | |
| actific Ex. Japan (243) | 190.30 | -0.3 | 184.70 | 126.44 | 160.69 | 175.92 | +0.0 | 3.13 | 190.79 | 185.42 | 127.92 | 161.25 | 176.00 | 194.08 | 152.70 | 171. | |
| | 154.27 | +0.6 | 149,74 | 102.50 | 130.26 | 122.83 | +0.1 | 1.97 | 153.36 | 149.05 | 102.82 | 129.61 | 122.66 | 154.27 | 118.51 | 128. | |
| | 161.24 | +0.4 | 156,50 | 107.13 | 136.15 | 138.15 | +0.1 | 2.10 | 160.65 | 156,13 | 107.70 | 135.78 | 138.06 | 161,34 | 134.22 | 135,4 | |
| | 162.74 | +0.4 | 157,98 | 108.13 | 137.42 | 140.96 | +0.1 | 2.28 | 162.04 | 157.48 | 108.63 | 136.95 | 140.76 | 162,74 | 137,29 | | |
| | | | 163.55 | 111.96 | 142.29 | 162.16 | | 2.98 | 168.23 | 163,49 | 112.78 | 142.19 | 161.88 | 170.05 | | 139.7 | |
| orld Ex. Japan (1710) | 168.50 | +0.2 | | | | | +0.2 | | | | | | | | 157.47 | 162.0 | |
| e World Index (2180) | 162.83 | +0.4 | 158.04 | 108.18 | 137.49 | 141.43 | +0.1 | 2.28 | 162,15 | 157.59 | 108.70 | 137.04 | 141,24 | 162,86 | 137.32 | 140.4 | |

TELECOMMUNICATIONS IN BUSINESS Wednesday June 16 1993

n assessing their telecoms needs

and outgoings, never has it been harder for companies to keep

track of costs, competition and the

UK companies have a tougher job than most. Britain's telecoms sector,

already at the head of Europe's com-

petition league, is about to engage in

a further bout of price-cutting and

services on the market.

ment is increasingly common.

will go a long way. First, virtually

all agree that prices have further to fall - in both the fixed-line and

mobile markets. Because much of

the pressure for price reductions in

the US and UK is likely to come

from new entrants, look carefully at

anything they have to offer - once

you have checked the respectability

of their operating credentials. One

simple test is: did their directors pre-

viously work for one of the big tele-

Second rule of thumb: don't think

you need to stick with just one or

two suppliers. For most business

users, least-cost routeing software or plaints about reliability.

coms companies?

40.00

potentiality of new technology.

Post National Property of the Control of the Contro





Opportunities galore

The UK telecoms sector, already Europe's most competitive, is about to engage in a further bout of price-cutting and aggressive marketing, writes Andrew Adonis

aggressive marketing as new "smart boxes" can take the pain out of call-by-call and day-to-day decientrants establish themselves and established telecoms compasions on users. In the mobile market. nies - not just the giant BT, but Mervery favourable deals on offer from cury and the two mobile operators Cellnet and Vodafone – fight to keep entrants with restricted networks - such as, in the London their volumes and profits. region, those of Hutchison Telecom and Mercury One-2-One - could make it worthwhile for companies to In telecoms, sorting the wood from the trees is made extraordinarily difficult by the thick haze of acronyms patronise more than one company, and jargon obscuring the route at or even to give employees two portable handsets. every turn. It is not just new technology: as competition intensifies, so does the complexity of tariff struc-

The majority of PABX systems sold today either come with or are compatible with least-cost routeing tures and the range of options and software. For those without it, but For the finance director of a small with compatible systems, installaor medium-sized company, who has tion typically costs about £300. to do the phones, the balance sheet equipment is more expenand the contract cleaning, bewildersive and less reliable, but reliability is improving and for most users the Fortunately, a few rules of thumb

cost works out at about £100 a line. In the fixed-line business, the best prices are often those from new entrants re-selling leased lines and connecting them to private networks. A telling case study is the rise of Worldcom, a London-based company plying the international resale trade for the 18 past months. It now has more than 100 customers and expects to have "a few thousand" by next year. Its rates are highly competitive with BT and Mercury, particularly for transatlantic traffic - and according to the Telecommunications Users' Association, there have been virtually no com-

Worldcom is about to lease lines to Manchester, Birmingham, Heathrow and Glasgow, making it economic for non-City of London companies to link up with the operator. It also has a public network operators' licence pending, if it secures one, it will be able to route calls over BT's network, giving it a strong appeal even to smaller companies.

At the other end of the fixed-line market, the cable TV companies - many of them with US parents anxious to learn the TV trade from which they are barred at home - are fast establishing local telephone networks which could soon challenge BT in conurbations.

The cable TV franchise operators currently have only 160,000 telephone subscribers, and some made a shaky start. They also suffer from the absence of number portability - an issue before Oftel, the industry regulator - which makes it hazard ous for companies to sever all connection with BT. But the cable companies are still in the early stages of construction: once they have reached the 15m in their franchise areas, BT's virtual monopoly of the local network will be under serious threat. In the US, MCI, the secondlargest operator, now has about 18 per cent of long-distance traffic. In the UK, BT has ceded nearly 10 per cent of the market - and half or more of all outgoing traffic from the City of London - to Mercury.

Another two UK national networks are under construction. Ionica, a private Cambridge-based company, is building a radio-based network for launch in early 1995. Energis, a subsidiary of National Grid, is wrapping fibre-optic around its pylons and is promising a price war with BT and Mercury as early as next spring, with a network con-necting 17 of Britain's leading towns and cities. Energis will have to interconnect with BT to convey its calls the "last leg" but the cable compa-nies offer the medium-term prospect of avoiding BT even in much of the local loop.

is the same story in the UK mobile market, where the huge mobile market, where margins of Vodafone and Cellnet are coming under sustained assault. Hutchison's Rabbit "telepoint" service may lack the flexibility of Vodafone and Cellnet but at 20p a peakrate minute inside the M25 its tariffs are less than two-thirds their standard rates. Mercury One-2-One is currently testing its PCN mobile service; it plans to launch it within the M25 this summer with a peak rate as low as 160 a minute and an access charge for high-volume users of about £20 - although One-2-One handsets will cost slightly more than the cheapest on offer from Cellnet and Vodafone.

With One-2-One's PCN network due to cover 24 per cent of the popu-

lation by April 1994, Vodafone and Cellnet can ill afford to sit by for long without cutting their tariffs. So the fire alarm mentality of existing mobile users ("break seal to use") could soon be a thing of the past.

For most companies, getting the best price for existing services is a its Worldsource service aiming to more pressing priority than high-flown debates about the virtues provide a "seamless" global telecoms of national optical-fibre networks. Yet so rapid is the speed of change that to plan even for the next two or three years companies must be familiar with the main telecoms trends. Among those covered in the survey, two stand out: the development of "outsourcing" and the

growth in value-added services. At its most basic, outsourcing is the contracting out of part or all of a company's telecoms network-facilities management to a telecoms carrier. It is of particular appeal to companies anxious to modernise existing private networks, and to multinationals looking for "one-stop-shop" arrangements to cater for their worldwide telecommunications

Learning from US experience, in the UK both BT and Mercury are bidding for domestic outsourcing contracts via facilities management units. BT is also seeking to carve out a role for itself in the global outsourcing market through a new \$1bn ioint venture with MCI launched earlier this month, which will eventu-

■ Digital services: A new generation of mobile telecoms equipment, based on digital technology, is poised to deliver a wide range of new services Page 2

IN THIS SURVEY

Satellites: By the end of the decade it is likely that satellites will have provided the first truly global mobile

■ Cable telephony: The Holy Grail of communications technology for business is the so-called "ideal desktop*. Interest in networked multi-media applications is running high



BT engineers installing optical fibre in London

■ Smart cards: Worries about bank and charge-card security are generating fresh interest in smart cards. They will also be used in the GSM digital mobile phone network to curb illegal use of mobile phones .

■ Quality of service: The blunt message from telecoms customers is that price is not everything. Companies want a reliable service and if new entrants to the market will not provide It, business will not go their way . Page 7

■ Vsat services: Networks are commonplace in the US. but in Europe, until now, very small aperture terminals (Vsats) have been slow to

Editorial production:

ally subsume its Atlanta-based Syn-cordia subsidiary. Mainland Euro-

pean operators have been slower off

France Telecom and Deutsche

Telekom have joined to establish an

outsourcing company of their own.

Eunetcom, while the Swiss, Dutch

and Swedish state telecoms recently

set up a joint venture, Unisource, to

provide data transmission services

to European-based multinational companies, signing up Sprint, the US carrier, to provide global links out-

Meanwhile, American Telephone

and Telegraph last month launched

service through partnerships with

national telecoms carriers region by

region. It has already signed up five

Asia-Pacific carriers and is roaming

Europe in search of partners for its launch in Europe next year.

New services on offer range from

plain paper fax machines able to

send low-priority faxes overnight, to

advanced electronic data exchange

permitting users to exchange busi-

ness documentation using standard

electronic forms, broadband services such as video-conferencing, and vir-

tual private networks which compa-

nies use to link switchboards on dif-

ferent sites, even in different

Remarkably, many of the once

hidebound state telecoms utilities

are leading the way in turning tech-

nology into new services. In the US

and UK, their monopolies have been

abolished; they are likely to be so

soon in the rest of Europe. So they

can no longer sit back, keep their

networks ticking over and expect

the profits to roll in regardless. For

companies it offers opportunities

countries, and far more besides.

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TELECOMMUNICATIONS IN BUSINESS 2

ver the past decade, mobile telephony has become the fastest growing segment of the dynamic global telecommunications market. Now a new generation of mobile telecommunications equipment, based on digital rather than analogue technology, is poised to deliver a wide range of sophisticated new voice and data services to bust-

ness and residential customers. The total number of cellular telephone subscribers grew by 43 per cent last year to 23m, according to figures collected by Mobile Communications, the FT newsletter. In the US, the biggest cellular market, subscriber numbers jumped by 46 per cent from 7.6m

By the end of this decade half of all telephone calls worldwide are expected to originate or terminate on a mobile phone - and a growing proportion of those telephones will be operating on the new digital technology. EMCL, the Washington-based mar-

ket research organisation, has forecast that there will be about 13m digital cellular subscribers worldwide by 1996, accounting for about a quarter of the total cellular market.

This expected growth in digital cellular subscribers reflects some key advantages which digital technology can offer over older analogue systems. Among these, digital mobile telephones provide more reliable, clearer and more secure telecommunications. In addition, by converting ordinary sound into computer code, digital services can pack at least 10 times as

many calls into the same "space" in the radio spectrum. But perhaps most importantly they allow telecommunications network operators and others to provide a wide range of value-added customer services. Significantly, although North America led the first mobile telecommuni-

cations revolution in the early 1980s. it is Europe that has taken the lead in the move towards the next generation of digital systems. Europe has adopted a pan-European

digital telecommunications standard called GSM (Groupe Speciale Mobile). "The big impact of GSM is that it is a DIGITAL SERVICES

New generation in wings

an industry analyst with Dataquest's European telecommunications group, "and this means enormous economies of scale for equipment manufactur-

In contrast, in the US a dispute between network operators over two rival digital standards, one called time division multiple access (TDMA) and the other called code-division multiple access (CDMA) is threatening to delay the widespread introduction of digital systems.

Twenty-three operators in 16 European countries are committed to building GSM networks, and another 20 countries around the world have adopted GSM as the basis for their next generation of cellular services.

The first GSM networks were launched last July in Germany, France and Denmark, and similar services are now being rolled out across Europe. Since last July, GSM subscribers have accounted for almost one third of all new subscribers to cellular networks in western Europe. By the end of this year Dataquest is forecasting that there will be 1.1m GSM subscribers in Europe, growing to 8.31m by the end of 1996.

In the UK, Celinet - one of the two analogue cellular network operators plans to have 60 per cent of its GSM network in place by year-end and will begin to actively market its system to business customers early next year. Vodafone, the other UK cellular oper-ator, launched a limited GSM network in December and plans to have 90 per cent of its system in place by the middle of this year.

Vodafone has already reached GSM roaming agreements with Denmark, Finland, Germany and Sweden and expects to sign shortly with France. Italy and Switzerland. These agreements will eventually allow GSM sub-

single standard," says Mr Dean Eyers, scribers carrying their personal smartcards to make calls using a GSM phone anywhere in Europe.

The GSM standard also includes a mobile data facility which will eventually enable mobile terminals, such as portable computers and fax machines, to communicate through a GSM handset at speeds comparable to the best of today's fixed telephone data links. It is also compatible with the emerging integrated services digi-

tal network, or ISDN.
"As GSM digital networks roll out across Europe and other parts of the world they brink with them a whole new range of features, says Mr Dominic von Trotha Taylor, marketing manager at Vodafone's sister com-

The pace of transition from analogue to digital cellular systems will vary

pany, Vodata. One of the most significant of these is the GSM Short Message Service which enables GSM handsets equipped with small LCD screens to receive messages like

In December, Vodafone, working with Sema Group's telecom division. became the first GSM network operators to successfully test the short message service feature. This allows an alphanumeric message of up to 160 characters - twice as long as the typical maximum length paging message

 to be displayed on the handset. The messages are sent via the short message service centre and when they arrive at the mobile they are stored in the user's SIM (smart) card ready for retrieval. SMS's unique features include the ability to send or receive sages at the same time as speaking or sending data, an alert feature for informing a third party when a mobile re-registers on the network, the ability to store a message and forward it to the mobile when it is switched on, and acknowledgement of

successful message delivery. Mr Martin O'Byrne, managing director of Sema's telecom division, believes that SMS and other features like it will provide network operators with a way of differentiating service offerings.

However, GSM and other new pre mium-priced digital services will not replace the older analogue networks immediately. Existing analogue network operators believe there will be a slow and gradual migration to digital services. "Analogue systems will be with us for some time," says Mr Eyers of Dataquest.

The pace of transition from analogue to digital cellular systems will vary from country to country. In those countries such as the UK which have well-established analogue systems which are not capacity con-strained, the growth of GSM is likely to be relatively slow.

Analogue technology will also continue to play a key role in developing countries, including those of eastern Europe where cellular systems are already providing a relatively cheap alternative to dilapidated or non-existent fixed-wire telephone systems in many countries.

Elsewhere, fixed-wire telephone systems could also face a challenge but from other new mobile digital cellular services which are just around the corner. For example, in the UK Vodafone plans to launch a second service on the back of GSM called the Micro-Cellular Network, or MCN, which will be a low-cost digital portable telephone service aimed at domestic customers

Local MCN call charges are expec-

ted to be significantly cheaper than GSM services, putting the service in direct competition with fixed telephone networks. MCN is due to be launched in the south-east of England later this year in direct competition with another digital system aimed at the mass market called the personal communications network (PCN).

One-2-One. - previously Mercury Personal Communications - a joint venture between Cable and Wireless and US West, plans to launch its PCN service in the London area this summer, expanding throughout the southeast to reach a quarter of the population by April next year. Hutchison Microtel, a joint venture involving Hutchison Telecom UK and British Aerospace, is also building a PCN network but is not expected to launch its service before next year.

Elsewhere in Europe, PCN networks are likely to be built in Germany, France and Spain. Some countries have also licensed call-only Telepoint services, such as Hutchison's Rabbit service in the UK and France Telecom's recently-launched Be-Bop service in Paris.

In the office environment, cordless systems have been somewhat slower to take off than expected - perhaps because until recently they offered few if any advantages over the fixedwire systems they were supposed to replace. However that could be chang-

Two competing digital alternatives have been developed, one based on the established CT-2 "telepoint" standard and the other built around the emerging Digital European Cordless Telecommunications (Dect) standard for private cordless telecommunica-

Dataquest expects 10 to 15 per cen of office telephone systems to be cordless in five years. Certainly, research suggests there is a market for cordless plu systems. About 60 per cent of business calls fail to reach their intended recipient on the first attempt causing annoyance and expensive games of "telephone tag."

■ MOBILE DATA SERVICES

Market is immature

MOBILE data has an identity problem. There is little argument that the market for mobile data is potentially enormous - but for the moment many customers appear confused by the plethora of emerging services and equipment.

Market size estimates vary wildly but Arthur D Little has identified 3.8m potential users for wireless data services in the US by the end of the century and PA Consulting has predicted that there will be 2m users of two-way mobile data in the UK by the end of the

decade.

To date most mobile communications have focused on voice. However data transmission has several key advantages over voice telephony. it is generally cheaper, quicker and more accurate and while pagers and cellular phones play an important role, they have limitations when it comes to transmitting complex or

Estimates put the total number of subscribers to all data services in the UK at about 10,000

large volumes of information. Typical applications for mobile data involve transferring information to and from portable computers or mobile data terminals and office computer systems or other mobile users. Potential users include the projected owners of a new generation of hand-held devices called "personal digital assistants". Mobile data will provide corporate sales forces with up-to-date customer information or keep track of emergency services, truck fleets or railway wagons.

But so far, mobile data has failed to live up to early expectations and most mobile data operators have been scaling back their subscriber projections, and in some cases their investments. The shortfall may simply reflect the fact that most services are still in their infancy, or it may be because there are a bewildering array of delivery systems.

in the UK, for example, mobile data services are offered by the cellular operators, dedicated mobile data network operators such as Hutchison, Ram Mobile Data, Cognito and Vodafone's Paknet, specialist network operators such as Securicor Datatrak, and over public and private mobile radio networks - all using incompatible standards and

Unlike the cellular telephone network operators, who have managed to attract more than 1.5m subscribers for their voice services in the UK, the uptake of data services has been somewhat disappointing. In contrast, most estimates put the total number of subscribers to all data services in the UK at about 10,000.

Generally, transmitting data over a non-dedicated service means sacrificing transmission quality, coverage or compromising in some other area such as message length. In addition, transmitting data over an analogue cellular system is considerably more difficult than over the public switched telephone

Nevertheless, much of the research shows that many customers require a combination of voice and data communications. One solution is to build the specialist electronics into dedicated equipment or use a special cellular modem.

Vodafone's Mobile Data Service, which claims several thousand users and claims to be "the UK's most widely-used mobile data communications solution", uses a special cellular data link control modem to enable customers to transmit and receive error-free data over the Vodafone cellular network which provides automatic standards conversion

Another option is to wait for digital cellular telephones based on the pan-European GSM standard. Vodafone has already tested a feature developed for it by Sema called the short message service centre which enables messages of up to 160 characters to be sent to a GSM handset and displayed on its LCD screen.

Paging is perhaps the most obvious application of this facility although Vodafone acknowledges that "the size cost and short battery life of a GSM phone relative to an advanced alphanumeric pager will ensure that GSM does not compete head-to-head with the European paging market."
However, the GSM specifica-

tion also includes a "V24 interface" which will eventually link the mobile directly to any terminal - for example, a mobile fax machine or a portable computer. This could bring the GSM phone into more direct competition with the dedicated mobile data networks.

The UK government issued five 25-year licenses for nationwide public mobile data networks in October 1991. Prior to this only privately-owned radio networks had existed. The new licence winners were Cognito, DMC. Hutchison Mobile Data Motorola and Ram Mobile

Of these, DMC and Motorola did not take up their licences but Paknet, now owned by Vodafone, was subsequently awarded a mobile licence in addition to its existing fixed licence under which it had been providing a packet-switch data service.

Cognito was closed after the sale of its parent, Dowty Group, last year, but was relaunched last autumn after a management buy in-buy out deal. Cognito's new service provides customers with a mobile two-way text messaging system using a hand-held communicator called a Messenger which has a small screen and keyboard and operates via the group's nationwide data celluar network.

Hutchison Mobile Data and Ram Mobile Data have also launched their mobile data services - using rival and incompatible equipment. Hutchison's system is based on Motorola's RD-LAP system which is also used by Deutsche Telekom in Germany while Ram, a joint venture involving US-based Ram Broadcasting and Bell-South, France Telcom, Swedish Telcom and Bouygues,is using Mobitex packet-switching technology developed by Ericsson.

Mobitex is beginning to emerge as a de facto standard in Europe. So far, Ericsson has won contracts from seven out of the 10 European mobile data licenses awarded. The European Telecommunications Standards Institute (Etsi) is still working on an official standard which is not now expected before 1996 at the ear-

In the meantime the relative growth of competing mobile data technologies probably depends on how quickly useful applications software is developed. This is clearly recognised by Mr John Jarvis, Ram's new chief executive in the UK, who says the group is encouraging the development of new vertical and horizontal applications, and the migration of existing applications running on pri-

vate data networks. Already, more than 100 application projects are in trials with Ram. Among the applications which have recently been adapted for use on the Ram system are Dispatcher, a Window's-based fleet dispatch software and hardware package, and Remote-1, a comprehensive

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Ram and Computer Services for Industry have jointly developed Mobilink-400

field call activity management tool and communications pack-

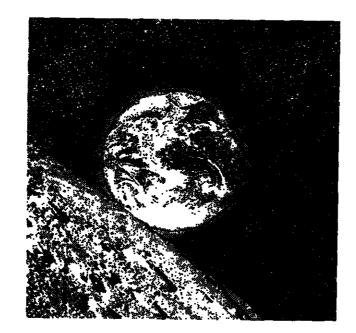
Ram and Computer Services for Industry have jointly developed Mobilink-400, an interface enabling portable terminals to interact with IBM AS-400 systems. In addition, Ram and Lotus Development have recently announced an agreement to develop a wireless version of Lotus cc:Mail, the mar-ket leader in Lan (local area networks) -based electronic mail systems which will enable portable computer users to send and receive electronic

mail messas Mr Jarvis believes that having applications in use by real customers will give public mobile data an important head start against GSM and reinforces mobile data's distinct advantages over other mobile technologies. "We have an edge in response time and in terms of cost," he says.

One area which appears to hold particular promise for public mobile data is fleet and freight management, monitor ing and security. This is also the specialist niche chosen by Securicor Datatrak. A new version of the established automatic - tracking Fleetrak system enables drivers to send and receive messages using invehicle terminals and printers.

Securicor Datatrak owns and manages its own wide area radio-based communications network in the UK and claims that its system has a number of advantages over other mobile data services including faster set-up times.

Over the next seven years its should become clear which mobile data technologies are going to survive the inevitable shake-out. Like many other segments of the fast-expanding mobile communications industry, mobile data is still an immature market with competing technologies jostling for position.



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TELECOMMUNICATIONS IN BUSINESS 3

SATELLITE-BASED SERVICES

Truly global mobile network

that satellites will have added another dimension to mobile communications and provided the first truly global mobile telecommunications network

Satellite-based systems already provide a number of key telecommunications services, particularly maritime and aeronautical communications services where land-based systems are not an option.

The market for these systems is dominated by Inmarsat, the Lon-don-based Inmarsat International Maritime Satellite Organisation. According to Mr Justin Jameson,

an analyst with Datamonitor, the number of Inmarsat terminals in use is expected to grow from 28.357 last year to 73,258 in 1997, a compound annual growth rate of 20.9 per cent

Mr Jameson believes that the highest growth will take place in the aeronautical market "where both commercial and private aircraft are increasingly being fitted with inmarsat terminals allowing the crew and passenger to make

Meanwhile the land and maritime markets will continue to grow as a result of the introduction of lowercost Inmarsat-C and Inmarsat-M terminals including the lightweight briefcase-sized portable systems

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used by geologists and others who need to send or receive private and secure information from inaccessible or remote places.

However, some time before the end of the century Inmarsat will probably face competition from a new generation of low earth orbit satellites (Leos). Unlike geostationary satellites (Geos) which orbit at a height of about 12,000 miles, Leos

(Ellipso), Loral Qualcomm Satellite Services (Global star), and TRW Space and Electronics (Odyssey).

Currently there are five US

groups proposing Leo-based tele-

communications systems. The best

known, and probably the most

The others are Constellation Com-

munications with Aries, Ellipsat

ambitious, is the proposed \$3.4bn

Iridium system, lead by Motorola.

Perhaps the biggest problem is the apparent potential oversupply of satellite system operators. Analysts believe there is only room for two new Leo-based services

orbit much lower at 550 to 6,000

Because they are closer to the earth, Leos should suffer less from the characteristic voice delay or echo heard on some satellite voice

In addition, Leo-based systems will allow the use of lighter and cheaper portable equipment.

However, Leos do have some disadvantages. They are solar powered and since they spend more time in shadow they have a much shorter lifespan than Geos - about five years compared with 10-12 - and they are much less powerful so more of them are needed although that may generate economies of scale in satellite production.

A sixth group, American Mobile Satellite (AMS), a joint venture between McCaw, Hughes and MTEL, already has a geostationary satellite system in operation. However, it only has a few hundred subscribers and just covers North

The other companies, with more ambitious plans for worldwide service, hope to begin operations in 1996 or 1997. The number of satellites in each system or "constella-tion" varies. Motorola's Iridium would have 66, Aries 48, Ellipso 24, Globalstar 48 and Odyssey 12. The cost estimates also vary dramatically from a minimum of \$200m to more than \$3bn.

All except Ellipso would use cir-

cular orbits but Ellipso's satellites as its name suggests, would use elliptical orbits which the group claims will provide significant advantages including longer coverage of key markets using fewer sat-

The targeted subscriber base also varies considerably. Motorola pre-dicts about 2m customers for Iridium by the turn of the century including about 700,000 subscribers for data alone. Motorola expects to charge between \$2,000 and \$3,000 for handsets and about \$3 a minute for calls.

Some systems such as Odessey could handle up to 16m subscribers, but most of the groups are basing their costings on much more con servative estimates. Even so, some analysts such as Mr Dean Eyers of Dataquest, question whether they can make economic sense as a mass market voice telecommunications delivery system. However, most of the Leo systems

would also be used to provide other high value services including data communications and radio tracking Even then their backers face some formidable cost and other problems. One unresolved issue is about how to regulate Leo operators - an issue which is exercising the European Commission. Other

issues, such as deciding which fre-

Value-added services: Packet-switched and other data services

Changing habits of a lifetime

quencies to allocate to Leos, have ellite-based global mobile telecomalready been agreed in principle. But perhaps the biggest problem Project 21.

is the apparent potential oversupply of satellite system operators, a problem which is not eased by Inmarsat's own plans for a new \$2bn sat-

munications service designated

Most analysts believe there is probably only room for two new Leo-based services. What does seem certain, however,

is that the dream of a universal mobile telecommunications service will move a step closer with the launch of new satellite-based global

Paul Taylor

elecommunications and computer companies are running around like headless chickens in an attempt to find the right mixture of products and services to meet the surge in demand

for linking together networks

of personal computers. It would have been inconceivable 10 years ago to have a telephone company moving at the pace of a one-legged chicken, let alone a headless one, to meet its customers' needs. But data communications, along with mobile communications, are the two services which the European Commission has mandated member states to open to com-

Telephone companies are having to change their habits of a lifetime because unless they innovate, smaller, more dynamic companies will become the main drivers of the

A new range of products and services is emerging to meet the growth in networking and internetworking. Large compa-nies are demanding solutions to improve their ability to

numbers of local area networks (Lans) pieced together on different geographical sites. Lans are proliferating as companies switch critical applications from the mainframe computer to personal computers. Lans traffic is increasing at a

There is no single solution for interconnecting Lans. In the past, a corporate telecommunications manager has tended to use private circuits. But running them internally can prove very difficult. Most local area networks have been pieced together over several years and vary widely in size, capacity and in technical characteristics.

many to delay their decision.

rate of 30 per cent a year.

Many companies would prefer to hand their business over to a public network. Traditional X.25 packet-switched data networks are one possibility, but high prices across Europe, coupled with uncertainty about whether X.25 can meet current and future requirements for high bandwidth services, are causing

Telephone and computer products known as fast-packet

switching services. In some cases, they are offering improved, higher speed versions of X.25. But the real revolution in the data communications industry is the development of the muchtrumpeted frame relay, a slimmed-down version of X.25.

There are already several hundred users of frame relay in the US where it was developed. Judging by the interest in frame relay from telephone companies in Europe, there is an expectation that it will have a similar impression this side of the Atlantic, France Telecom and Swedish Telecom are already providing frame relay interfaces to their X.25

Deutsche Telecom, Telecom Lenmark and Spain's Telefonica all plan to launch services this year, while in Finland and the UK public frame relay services are already available.

But despite the public enthusiasm of European telephone operators, they are privately cautious about promoting services to compete with their existing X.25 and private circuits services. Yankee Group Europe, a leading telecommunications consultancy, says that the mood of European vendors and operators looking at frame relay is to "wait and see." Nevertheless, Yankee

see "significant growth in Europe's nascent cross-border data transport market over the next three years." Frame relay is simpler than X.25 and its lower cost is one of the main reasons why the Yankee Group expects it to break through in Europe. In the longer term, its faster

speed will be an advantage. Laboratory tests show that

frame relay can run at up to

45 megabits per second; much

Group expects frame relay to

higher than the 2 megabits commonly thought to be the practical ceiling for standard X.25. In practice, no operators offer frame relay at more than 2 megabits but this is still much quicker than most existing X.25 networks in Europe.

Ranco Europe, a supplier of components to the vehicle and domestic appliance sectors, chose frame relay for its pan-European network because its speed. Its existing IBMmanaged network service operates at a maximum of 19.2 kilobits per second which is not fast enough for Ranco's plans to develop just-in-time manufacturing.

Ranco's customers want deliveries to arrive at the precise times the products will be storage. By consolidating information on orders, sales, shipments and stocks on one frame relay network, Ranco can better meet tight delivery schedules.

Lucrative Pan-European contracts such as Ranco Europe's are a big draw for leading valne-added network operators such as Infonet, Sprint and American Telephone and Telegraph. This market is set to increase sharply with the ending of restrictions on competition in Europe at the start of this year.

But there will be less competition for smaller domestic contracts where companies need to invest in networks linking together the largest

towns and cities. Yankee Group believes that BT and Transpac - a wholly-owned France Telecom subsidiary - are the two companies best positioned to capitalise on pent-up demand in Europe's domestic markets for high speed data services BT inherited its European

presence from Tymnet, the US data communications company it bought in 1989. It has built this and now has a formidable frame relay presence in all big western European cities. Transpac is concentrating on X.25. It has bought private X.25 networks in six European countries and converted them into an extensive European infrastructure.

Transpac has fought a rearguard action against frame relay, which, it says is unsafe because there is no guarantee that the data will arrive in one piece. But Transpac is looking closely at another fast packet technology called Asynchronous Transfer Mode (ATM) which has the potential to handle large volumes of data more smoothly than its cum-

bersome name suggests. A number of little-known US and UK vendors such as Cisco, Synoptics, Fibrenet, Wellfleet, Network Equipment Technologies and Netcomm are rushing to supply ATM products for the private Lan interconnection market.

The jury is still out on whether X.25, frame relay or technologies for data network ing. But the telecommunications industry is in no doubt that the sector as a whole will explode over the next few years. US telecommunications consultancy Frost and Sullivan, for example, forecasts that the market for fast packet switching will rise from \$74m in 1992 to \$2bn by 1997.

Mark Newman

The author is editor of the FT newsletter Telecom Markets

■ Value-added services: EDI and electronic mail

Faster, cheaper, more reliable

Nevertheless, the growth of electronic trading, using electronic data interchange (EDI) and electronic mail, is having a profound effect on a growing number of busi-

ness and other users. EDI is a value-added telecommunications network service which enables two organisations, usually customer and supplier, to exchange routine business documentation such as orders and invoices using standard electronic forms and their own computers linked through a service

It is often a faster, cheaper and more reliable means of exchanging information than the traditional paper-based business transaction and can play a crucial role in automating a transaction chain. For example Tesco, one of the pioneers

of RDI use in the UK, has automated its entire transaction chain of recording sales, amending and checking stock records, reordering goods, receiving and checking invoices and making payments. By reducing the time taken to process a

transaction, manufacturing companies and retailers can reduce their level of stocks and adopt management techniques such as just-in-time inventory control. Trading information electronically can

also help suppliers and their customers match their operations more closely to sales patterns and other variables, and lead to a closer "partnership" between supplier and customer.

EDI also automatically sets up an "audit trail" which enables an organisation to check and validate electronic documenta-

These benefits have spurred growth in the use of EDI in the US, where it originated, and in the UK which leads Europe in EDI usage in the private sector, although France has made a co-ordinated effort since 1989 to implement EDI in the public sector.

In other countries such as Germany and Japan, electronic trading does take place domestically but is limited because the systems depend on non-standard software implementations or industry-based proprietary systems which are not intercon-

About 7,000 companies and other organisations in Britain are estimated to be using electronic trading and the number is growing by between 20 and 30 per cent a year. But there is still much room for growth. Some recent estimates have suggested that less than 5 per cent of business transactions in the UK are currently handled by EDL Of the top 1,000 companies, roughly 300 use EDL

International Network Services (INS) is the biggest of the UK-based EDI services providers with more than 55 per cent of the market and a 35 per cent share of the

overall European market. INS, jointly owned by ICL and GEIS, the

THE paperless office remains a dream that seems to slip ever further into the future.

US-based network services company, provides three main EDI "communities", INS-Tradanet, the main service for retailers and their suppliers, Brokernet for the insurance sector and Fleetnet for the fleet

> leasing-management sector. Its nearly 4,500 UK corporate customers cover 35 market sectors and include 78 of the top 100 UK companies, nine of the top 10 retailers, the 10 largest pharmaceuticals companies, 17 of the top 20 non-life insurers and four clearing banks. Altogether 15,000 organisations worldwide use its network services which link 100 countries

and 750 cities. INS-Tradanet handles more than 6m documents a month and Mr Lee Tate, INS managing director, says the group signed more than 1,100 new companies up for the service last year. However he acknowledges that the market is becoming more

competitive. "The competition is much tougher," he says. Other EDI network service suppliers in the UK include ATT-Istel, IBM and, since October 1991, British Telecom. In response, INS has dropped its prices. "We

The price cuts were designed primarily to encourage small companies to adopt EDI

are going after higher volumes," says Mr

Earlier this year, INS cut its charges following price changes by competitors in 1992. A basic start-up package including Intercept-Plus PC software, joining fee and 12 months usage of INS-Tradanet now costs £1,450.

The price cuts were designed primarily to encourage small companies to adopt EDI. A new "unbundled approach" to charges means that companies wishing to exchange documents with a single trading partner can buy a minimum package at the outset and then take advantage of the integrated INS-Mail facility to add features

as their EDI usage develops. Companies use these EDI service suppliers because they provide a central "post office" function, directing message traffic to the appropriate recipient and providing any "data translation" needed between different computers or message standards.

Service suppliers, software companies and even the big EDI trading partners offer software packages which handle links into the different services and the conversion of data from business systems into the correct message format standards.

UK sectors which have pioneered the use of EDI include the motor and electronics industries and the retail trade, particularly the supermarket chains, and in the financial services sector, the insurance

EDI is a relatively new value added service - INS, for example, was only set up in

already emerged.
In particular, EDI is becoming far more international. There is an increasing use of Edifact, EDI for Administration, Commerce and Transport, an emerging group of international message standards which avoids the need for conversion from one

national or industry standard to another.

Between 15 and 20 per cent of INS's customers now have international links. For example, retailers, led by Tesco and Boots which have developed extensive domestic supplier networks using EDI, are now doing the same with overseas suppli-

In addition, Mr Tate says that a large number of countries are beginning to set up EDI services in their own right, often using the software and technical knowhow of established EDI players such as INS, IBM and BT.

For example, INS has franchised local companies in Ireland, Northern Ireland, Portugal and South Africa to operate the INS-Tradanet service locally and is negotiating other deals in Malaysia, Taiwan and with the PTT in India. Other UK-based service providers have franchised operations in Singapore and Korea.

Our software runs under Unix so we can put it onto any hardware platform," says Mr Tate. The system in Ireland, for example, runs on an IBM RS6000 but INS is working with Unisys in south-east Asia and with Hewlett-Packard in India. In Ireland, Portugal and India, where the franchisee is the local PTT, the service runs, or will run, over their own networks. In other cases, for example South Africa, it

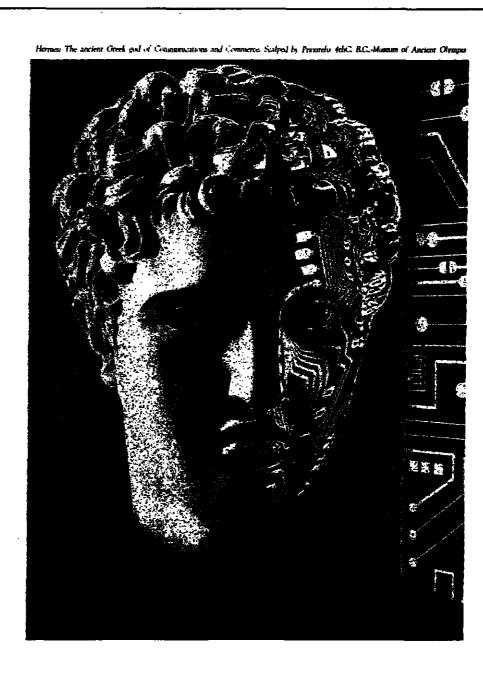
is delivered via a managed network.

EDI users are also becoming increasingly sophisticated. Originally, EDI tended to be used only for basic transactions such as ordering and invoicing. However, as familiarity with electronic trading has grown, so has the range of information transmitted over EDI links.

Tesco now exchanges 13-week sales forecasts with a quarter of the 1,200 suppliers which trade with it electronically. Tesco has also started communicating with individuals in its supplier companies through the INS electronic mail service. There are 4,000 electronic mail users in Tesco and they can communicate with 3,000 contacts in 200 suppliers.

EDI is also being integrated with existing internal electronic mail systems and other computer applications. Using EDI in this way enables a customer to link two incompatible Email systems, for example in different departments or divisions of the same company.

Finally, EDI is gradually reaching a wider audience including government departments such as the Education Department and HMSO in the UK, and new sectors such as the book industry.



GREECE. EVERYTHING COMES FROM ITS HISTORY. NOW ITS FUTURE COMES TO YOU.



THE GREEK FACE OF TECHNOLOGY

INTRACOM S.A.: HELLENIC TELECOMMUNICATIONS & ELECTRONICS INDUSTRY P.O. BOX 68 19002 PEANIA-ATTICA, CREECE TEL: (01) h64/211 - 8943715, FAX: (01) 6644379, 6643718 TELEX: (01) 214067 - 2198491NTR he Holy Grail of communications technology for business is the so-called "ideal desktop" wherein a data workstation also serves as a networked video terminal to provide real-time interactive audio, full-motion, high-quality video, animation, spreadsheet, database, telecommunications, document processing and other applications – all on the same

Interest in such networked multi-media applications is running high and significant developments in software, hardware integration and switched network accessibility are expected to make them attractive as strategic business tools between now and the year 2000.

The bugbear is that multimedia and the other emergent
telecoms technologies are
bandwidth-hungry. Broadband
is expensive and must therefore be capable of instantaneous allocation on demand
rather than being dedicated to
any particular users or applications. It seems probable that
specific sectors of business will
take up broadband before the
telecommunications community as a whole, probably with
Lan-to-Lan and Lan-to-Wan
interconnectivity driving the
market in the first instance.

At the same time, European businesses are widening their corporate communications bandwidth as computerisation becomes ever more ubiquitous. Ironically, the recession has also spurred technological change with many organisa-

■ Cable telephony: What's possible

Interest is running high

tions re-defining and streamlining themselves into co-operating networks of smaller and more efficient units.

Replacing copper with fibre optics is a massive and enormously expensive undertaking. In fact, widespread deployment of universal broadband networks based on optical fibre to business and residential users will not begin in Europe until after the turn of the millennium. Industry experts generally agree that it will not be fully completed until the end of the second decade of the next century or even later.

This, combined with the investment already made in copper cabling, will ensure that conventional coaxial or twisted pair-type wiring will coexist with a growing fibre optic infrastructure for many

Copper cable is still being installed and the bandwidth capabilities of traditional wiring systems are being enhanced. For example, two new services just introduced in the US, High Bit Rate Digital Subscriber Line (HDSL) and Asymmetrical Digital Subscriber Line (ADSL), are capable of transmitting high levels of data over non-repeated twisted-pair copper cable. Field trials of copper-transported



Optical fibre trials in Bishops Stortford, Hertfordshire: Replacing coppo

television are also under way using ADSL technology. Nevertheless, optical fibres have several advantages over copper. These include a significantly greater data capacity - the FDDI standard calls for a data rate of 100Mbit/s compared with Ethernet at 10Mbit/s and token ring at 4 or 16 Mbit/s - enhanced network security and immunity to electronic noise. They also allow a greater distance between stations and nodes. The FDDI specifies that stations can be 2km apart using multi-mode fibre or up to 40km with the latest mono-mode cable, with a

total network coverage of up to 100km. Over the past few years, single mode fibre has emerged as the popular "fibre of choice" and new developments, such as a cladding glass layer that contains a titanium oxide dopant, have produced a particularly tough, durable and reliable medium.

However, fibre optics also have their drawbacks. For example, every 22 miles the light signal must be converted back to electronic pulses, amplified and then regenerated as a light signal once more. This slows transmission, and it is these staging points and

other electronic pathways at either end of the optic fibre link that dictate maximum signal transmission speeds and cause data bottlenecks.

This could soon be about to change. Some eight years ago scientists of the Optical Fibre Group at Southampton University showed that optical fibre cores doped with the rare earth, erbium, were more reliable and efficient. Later work has demonstrated that erbium doping facilitates almost perfect light amplification and erbium amplification systems have been tested to a distance of 100m kilometres with minimal signal attenuation and complete data integrity

The ramifications are enormous. With optical switches installed at the exchanges there will be no electronics to delay signals and communication at very close to the speed of light will be possible. Not only that, some 25 THz (25,000 GHz) of very cheap bandwidth would be instantly available on demand – more than enough to cope with any planned or imaginable application for any business of any size.

Erbium amplified systems have been specified for several new long-haul submarine cables and also for various terrestrial networks. Some will be in place before the end of the century.

Today's fibre optic networks are lit. That is to say telcos provide the fibre optic infrastructure plus the services that run over it – and garner revenue from both. In future we will see dark fibre systems where the end user will decide what applications and services to operate and also provide them. A telco would then be in a similar position to that a of utility company today – providing a pipeline service, but unable to dictate what is to be connected to it, how equipment is to be used, when or by With BT and other suppliers

forbidden to provide home entertainment services over their networks until 2001, the economics of deploying fibre optics is being distorted by a rigged market. In a free mar ket. BT and its rivals could nerate additional revenues from entertainment services and use them to offset at least some of the huge costs involved in laying a fibre optic infrastructure. Businesses cause they need faster and hetter communications, will determine when and where the new broadband systems are built. They will deploy the new technology because, in the end they cannot afford not to.

Martyn Warwick

The author is deputy editor of Communications International magazine



This prototype submarine repeater uses optical amplitiers and more doped with erbium which facilitates almost perfect light amplification

■ Cable telephony: What's happening

Evolution rather than revolution

IN the brave new world of deregulated, liberalised, privatised and competitive telecommunications, many new services and applications are the direct result of actual market

demand.

The days are long gone when a monolithic PTT could present a captive business user base with an expensive new technological development that might have no relevance to real market needs.

Today, business users judge the potential of telecoms applications in terms of just what practical benefit they can bring to their organisations. They can choose from a plethora of new technologies, all with their attendant benefits and some occasional, and rather less well-publicised, disadvan-

Telecoms and datacoms are converging to the point where it is difficult to tell them apart. It is now possible to have digital audio, video and data applications delivered straight to the desk-top via the public switched telephone network, a PBX, leased lines, microwave links, satellites, fibre optics, radio and Lans, Mans or Wans. However, despite the strong growth of broadband fibre optic cabled systems, most telecommunication still goes over copper wire at some point during its transmission.

Many of the new technologies have been designed to provide enhanced bandwidth on existing cables and a big attraction is that they protect the large investments already made in conventionally cabled infrastructures. For example, High Speed Digital Subscriber Loop (HDSL) enables 1.544Mbit/s to be delivered over existing copper pair wires and industry analysts believe that

such services will find a ready market in Europe.

Regulatory issues are forestalling the development of the pan-European and cross-border carrier systems that are vital to development of business in the European single market. Very Small Aperture Terminal (Vsat) and other satellites services have been particularly

badly affected.

Practical Lan-to-Lan and Lan-to-Wan interconnect applications are very popular in business and there has been a concerted drive throughout the EC to deploy frame relay services for packet switched data communications. In fact, frame relay, a relatively simple and inexpensive broadband technology, is seen as a viable long-distance data carrier for pan-European corporate networks in the very near future.

works in the very near future. ISDN, on the other hand, long touted as the ideal universal telecommunications solution, has not yet proved to be as popular as expected. Take-up of the basic rate service has been slow and, until recently, there were very few ISDN products on the market. Nevertheless, ISDN has made possible the development of intelligent cell processing software in switches and advanced signalling systems such as C7, DASS and DPNSS.

In 1988, the CCITT published the basic principles of broad-hand networking; B-ISDN. The main feature of the B-ISDN concept is the support of a wide range of audio, video, data and image applications on the same network. The target transfer mode for broadband ISDN is the Asynchronous Transfer Mode (ATM) a technique whereby digitised information is inserted in small, fixed-length cells for transmission and switching through a network.

ATM, a derivative of fast packet switching technology, can carry all types of information in a common format and provide the high throughput needed for emerging broadband applications. Potentially enormous matrix-style cell switches, which do not suffer

the bandwidth constraints imposed by shared media switching techniques, can be built to handle multi-media traffic.

The time taken for Lan devices to process data is called latency. ATM can handle real-time signals with close-to-zero latency because the switch reads the packet address and sends it to its correct destination, probably before the end of the message has even left the originating device. Sheer speed such as this allows ATM to handle delay-sensitive traffic such as voice and video, as well as

data.

ATM is on trial throughout. Europe now and indications are that it meets current communications needs, can carry the new video and multi-media applications well and also has the sufficient potential to cope with any likely future services.

Another technology is Synchronous Digital Hierarchy (SDH) which is a new flexible transmission standard defined by the CCITT. It defines a new type of frame structure for data transport that creates additional transmission capacity and a new structure for handling different data channels. Development and trials of SDH continues but it is unlikely to be directly connected to customer sites much before 1997.

Many organisations are continuing with the private networking arrangements that were first established in the

Virtual Private Networks are more flexible, provide more capacity, and are generally cheaper

1980s. They typically involve managed bandwidth networks supporting distinct voice and data applications and telcos continue to provide leased bandwidth, in the form of private circuits, to support these architectures.

architectures.

However, Virtual Private
Networks (VPNs) are more
flexible, provide more capacity,
and are generally cheaper. The
latest popular architecture is a
hybrid of traditional private
and VPN facilities. It seems
likely that voice applications
will move to VPNs together
with lower bandwidth data services. New higher bandwidth
services will stay on private
dedicated platforms until
frame relay services such as

ATM become available.

Business organisations are demanding skilled, fast and responsive management of their increasingly complex networking environments. BT, Mercury and other telecoms companies could find an additional source of revenue by providing network management services in which they would be responsible for much of the day-to-day running of someone else's corporate net-

Perceived corporate benefits arather than the technology itself now determine the direction that business telecommunications services are taking. Users generally prefer evolution to revolution and they want new applications and products to work with existing equipment, smooth integration into existing networks, and interoperability with products from other, different vendors.

This has to be achieved at reasonable cost. They do not want unnecessary added complexity, high investment costs, and esoteric new network management platforms.

Vendors and service suppliers had things their own way for a long time. Customer-centred organisations who can make telecoms easier, simpler, faster and cheaper for the users will be successful. Those that cannot deserve to fail.

Martyn Warwick

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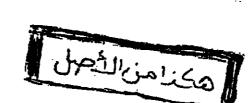
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Syncordia is a subsidiary of British Telecommunications plc.



BNR Europe says it has bought

40 of the company's SecureID cards and plans to order more.

They provide a way of restrict-

ing access to the company's

network without giving travel-

ling executives a lot of extra

gadgets (such as card readers)

To access the computer from

a hotel room, for example, an executive types in his ID and a password. If he or she gets this

right, the computer will

request a passcode number.

This is a random number generated by the SecureID card

and the numbers change every

60 seconds. Without the pas-

scode number the user cannot

log on. Mr Jim Geary, of Security

Dynamics in the UK, says the

cards are also used by several telecoms companies, such as

American Telephone and Tele-

graph (itself a maker of smart

cards) to prevent fraudulent

access to their networks. For

example customers of BT's

Global Network Services data

network can opt to use Secu-

reID to provide an extra level

of security for their computer

to improve the in-house secu-

rity of computers. In its head-

quarters in Lisle, CTR Nord-

Est - a regional clearing centre

for the savings banks of north-

ern France - has personal com-

puters with built-in card read-

ers. Without inserting the

correct smart card, users can-

not log on to its clearing sys-

Smart cards can also be used

systems.

to carry.

TELECOMMUNICATIONS IN BUSINESS 5

ow many uses are there for a smart card? Almost as many as for the computer chips which sit inside these credit card-style devices. Potential uses range from keeping networks secure to helping lnept cooks - just plug your smart card into the computer and it tells you what to do and even controls special kitchen scales. Despite the possibilities,

smart cards have failed to live up to optimistic forecasts of suppliers and market analysts who said they would replace magnetic strip cards for bank customers and be in widespread use by the 1990s. One reason this has not happened is cost. Even when bought in bulk smart cards cost about £5 each instead of 40p for a mag-

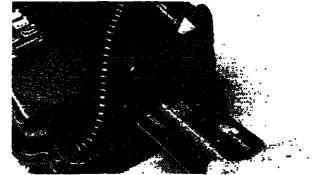
The UK has lagged behind in the take-up of smart cards. In France, they are used for phone cards. In some Belgian banks, such as the state-owned ASLK, customers carry a personal smart card. This is swiped through the teller's terminal to check the customer's identity. Once this is established the customer can get the same service at any of the bank's 1.249 branches.

However, worries about bank and charge-card security are generating new interest in smart cards around the world. The drawback of magnetic cards is that they can be forged using fairly low-cost equipment. There have been several well-publicised cases of counterfeit cards being used to steal money from cash machines.

In Singapore, the government is considering basing the identity cards that all citizens must carry on smart cards.



One use for smart cards will be to improve the security of mobile phones



Smart cards will help to prevent illegal use of new GSM digital n

Video dial-up services

works.

SMART CARDS

UK lags behind in take-up

The technology could also be used for their banking transac-

Card forgery is a growing international problem and the advantage of smart cards is that they are harder to reproduce. They can also benefit the customer. For example, because smart cards contain a computer memory, they can store a list of transactions. A customer could keep a record of cash withdrawals without having a wallet bulging with ATM (Automated Teller Machine) receipts.

This could be checked from time to time at the cash machine itself, or perhaps on a small card reader usable at home. It might even be possible to load information from the smart card into a home computer and use it to update a spreadsheet of domestic finances. However, there are other ways of making bank

cards more secure. For example, some banks and building societies are embedding photographs into their charge cards.

One of the newest plans for smart-card use also concerns security. They will be used in the forthcoming GSM digital mobile phone network to cut illegal use of mobile phones. Users will have to insert a card and tap in a personal identity number before they will be able to use their phones. Without the card, the phone will be useless and cards reported as stolen will be cancelled. This could make mobile phone theft a thing of the past. More than one card will work with a single GSM phone to enable separate business and social use.

There is also talk of using smart cards to pay UK road tolls if the British government's idea of introducing selective road charging goes ahead. GEC Marconi is testing

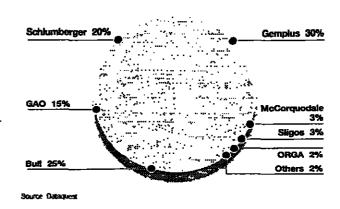
system called Timezone in which an electronic unit is activated by a beacon as the motorist enters a toll area. The toll is then debited from a smart card. The system is to go on trial in Richmond upon Thames. GEC says it lets the traffic flow because cars do not have to stop as they pass the

Another breed of smart cards which is particularly wellsuited for transport use is the "contactless" smart card. Demand for these is growing exponentially, according to Mr John Meikle, sales manager of GEC Card Technology. The cards work when they are brought within a few centimetres of a reader device, making them easy for drivers to use. Contactless cards are also

useful for those who prefer to take public transport. The Greater Manchester Passenger Transport Executive is to issue contactless cards developed by GEC Card Technology of Walsall, England to its passengers. A similar, less ambitious scheme, using GEC cards, will begin testing with London Buses in Harrow in July. Another is planned for Oslo. To begin with, the Manches

ter scheme will involve 500,000 cards to be used on the city's 2.700 buses plus the "Metrolink" and rail systems. The cards will act as prepaid tickets, usable many times. Each time the passenger makes a journey, the fare will be deducted from the card as he or she boards the bus. The cards will prevent delays caused by people fumbling for the right change because they can be read through wallets or purses. Customers will be able to get a print-out of their last 20 journeys and the transport executive will get better information about travel patterns.

1992 European smart card market share



Estimated European smart card production

By application type (millions of units) Bank cards GSM telephone PayTV Payphone 1988 1989 1990 1991 1992 1993

The transport executive is also talking to retail outlets about the possibility of renting out memory space on its smart cards. This would enable pas-sengers to use the card for buying such items as petrol or their morning paper. The cards are rechargeable and can be topped up at selected post offices and newsagents.

One of the biggest applications for smart cards is in network security. Northern Telecom's European research arm, BNR Europe, uses a metal-enfrom its computers. Mr Andy Macpherson of

cased smart card from US comnany Security Dynamics to prevent computer hackers stealing valuable research information

signal. For the future, all four

Joia Shillingford The author is editor of the FT

newsletter Business Computing

he UK has two fundamental networks: telephone and television. All others, apart from a few specialised satellite, microwave or cable based-systems, are either adaptations or extensions to one or other of the two base

The success of satellitebroadcast TV services and the few, scattered, cable TV networks that are available here is helping to foster demand, led mainly by domestic consumers - but business and academia is interested as well - for new entertainment and information TV services.

Just as telecommunications, datacommunications and computer applications are converging to the point where it is practically impossible to tell them apart, so the telephone and television networks have significant, and growing, areas where their interests and capa-

For example, as more and more of the UK is cabled for multi-channel TV, it will be a technologically simple matter for the cable companies to provide access to the public switched telephone network over their TV cable and so compete, head on, with the

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STANDARD WITH

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Similarly, the technology now exists to permit high bandwidth video to be transmitted over existing copper-cabled telephone networks as well as on new fibre optic lines, putting telephone companies in direct competition with the cable TV businesses. The telephone system also has the supporting infrastructure to handle switched or on-demand applications, and the capability

to bill for services rendered. After more than 10 years of duopoly competition, telephone bills in the UK remain uncompromisingly high. Individual and business subscribers may complain about the size of their quarterly accounts but these are also regarded in very much the same light as death and taxation: unfortunate but

inevitable. Video dial tone networks will allow telephone companies to provide information, education, medical, banking, catalogue shopping - and home entertainment services such as cable television, pay-per-view channels, interactive learning and true video-on-demand. They will all have to be paid

Most research and develop-

An interesting battle looms

services. somewhat different, cable TV players in the market, the telephone companies, from competing with the cable compa-

what constitutes broadcast

one-to-many medium that can

Telephony is a one-to-one medium, (except for businessbased audio and videoconferencing services) that by its very nature is full duplex and therefore has the potential to be

carriers to use existing copper wires to deliver broadband services that provide high-speed data, digital audio and video to

scriber Line (ADSL), fibre in

the loop (FITL) or hybrid fibre-

coaxial cable distribution net-

that will allow local exchange

ADSL is the transport link

The user can make or receive telephone calls over the same copper pair without affecting the digital transmission channels made highly interactive. The the home or business.

It does this by dividing available bandwidth into 256 channels and uses digital signal processing to dynamically adjust parameters as necessary to minimise errors and cros-

DMT technology supports

four "A" channels at 1.5 Mbit/s, each of which may carry a video signal of VCR quality, or two channels can be merged to carry a high-quality, outside broadcast-type real-time video

of delivering the 1.5Mbit/s service - as it was then envisioned - over the installed copper base. These were Quadrature Amplitude Modulation (QAM) and Discrete Multi-Tone (DMT) which is also known as multicarrier. Further research and devel-

When ADSL was first pro-

posed, in the US in 1989, there

were two competing technolo-

gies that seemed to be capable

opment showed that DMT was capable of providing high-quality performance at speeds in excess of 6 Mbit/s.

extended definition TV signal. ISDN channel which can be used to access to corporate LANs for teleworking applications using a frame relay ser-

channel is supplied, which contains two 64 Kbit/s "B" channels and a single 16Kbit/s "D' channel.

Along with these comes a signalling-control channel, again operating at 16Kbit/s. which allows the user VCRtype controls over what is being shown on the "A" chan-

Control options include all the usual video recorder functions such as search, pause, reverse and fast-forward. A separate embedded operations channel permits internal system maintenance, monitoring, audit, telephone company

Finally, the user can make or

nels provide an aggregate transmission rate of close on

remarkable new broadband services direct to the home over existing copper cabling.

Sophisticated software must process subscriber requests and must provide subscriber interactive services, network interface support, robotics and drive control, statistical and accounting functions and video library and shelf management routines.

It is anticipated that such an automated system will deliver any video selection or other service, in less than 10 seconds, from a library of 10,000 to 15,000 titles.

The battle between the established and emergent telephone

modern management theory is that business

vices which they require. Services ranging from cater-

sides of the Atlantic. companies built their own telecommunications networks for voice or data or a mixture of the two and installed complex private branch exchanges (PBXs). But today many large

ing to data processing and even manufacturing are now "outsourced" by companies and increasingly by government departments on both

customers are either asking outsiders to manage their networks, or buying-in the sophis-

ment work in video dial tone has taken place in the US

where the both the regulatory environment and the market is provide a minimal degree of more conducive to the deployinteraction via teletext type ment of such interesting new services.

The situation in the UK is is far from ubiquitous here and legislative strictures are preventing the biggest potential

The government, allegedly to allow infant cable TV companies time to grow up, has forhidden both BT and Mercury to provide home entertainment services over their networks until 2001.

BT attempted to pilot videoon-demand services in East Anglia but the Cable TV Association (CTA) successfully contended that video-on-demand effectively constituted entertainment delivery.

The argument hinges on just entertainment. Television is a

Wrangles such as this nicely mission of a bit-stream up to illustrate how shortsighted and counterproductive it can be to make arbitrary rulings on how, when, where and why a technology may be deployed while that technology is still actually

question is, is it broadcast?

being developed. From the technology angle, subscriber transport of video signals can be achieved over existing copper loops using Asymmetrical Digital Sub-

the same time providing an interactive control bit stream from the individual customer back to the network; and still retain the use of the copper pair as the plain old telephone system (POTS) line. Asymmetric refers to the dif-

It can carry a one-way trans-

6Mbp/s from the public net-

work to customers, while at

ference in bit rate between the two directions of transmission.

OUTSOURCING

The telecoms revolution

ticated telecommunications facilities and network services which they need.

Several other factors are also pushing companies towards the outsourcing solution for their telecommunications requirements in the 1990s. Among these are the growing complexity of telecommunications services, the rapid pace of technological change, the increasingly global nature of business, and the liberalisation

of telecommunication regimes. Liberalisation is leading to increasing competition between established network operators and a proliferation of service offerings for corporate

simple value-added services such as automated facsimile "exchanges" to complex full outsourcing contracts where a contractor is responsible for providing a wide range of flexible telecommunications services to a customer on a national or international basis in what is generally viewed as a "partnership" arrangement. Sometimes these outsourcing arrangements will involve the customer transferring assets and staff to the contractor.

There are several main categories of bought-in service on offer, although the dividing lines between them are blurred. They include: Save time, money and effort, make all your payments

of a conventional company PBX - such as desk-to-desk dialing - are provided by the network operator who partitions off part of the public telephone exchange to act as a customer's office telephone system. The customer then usually pays a regular fixed sum for the exchange equipment used and a variable increment for the calls made, but avoids the need for sub-

available in the US since the early 1980s, but have been much slower to develop in Europe. "Centrex in the US is quite a substantial revenue earner (for the network operators), but in Europe it is only really available in the UK and Sweden," says Ms Cathy Borrows, an industry analyst with Dataquest. In the UK, Mercury and BT have both begun to offer centrex services. Managed Network Services

(MNS), where most or all of the

day-to-day running of a corpo-

rate voice or data network

(Managed Data Network) is undertaken by an outside con-

and work

(VPNs), where the features and are provided instead on the

VPNs are one of the fastest growth areas in business telecommunications

having the expense of installing and running their own private network.

growth areas in business telecommunications. A recent report by Ovum, the telecommunications consultancy, predicted that VPN "will revolubusiness communications in the 1990s. The authors predicted that by 1997 the market for national VPNs in Europe and the US will be worth \$12.5bn for voice and \$1.2bn for data.

By the same date they forecast that international VPNs will comprise 21 per cent of telcos' international revenue, amounting to \$2.3bn for voice and \$500m for data.

"VPN gives users a better combination of cost and flexibility than any other service, while for the telcos it offers the opportunity to increase market share and reduce networking From the customer point of

view the advantage is not just one of cost, although often there can be substantial savings. One significant advantage offered by a VPN is that it can be reconfigured rapidly to meet the customer's changing requirements. "Resources can he added to the system very quickly," says Ms Borrows.

enable network operators to "capture" the outsourcing revenues of private networks, and they provide a commercial justification for building "intelligent" network infrastructure. VPNs also offer the chance to increase market share by winning lucrative corporate busi-

In the US the three inter-exchange carriers, US Sprint, AT&T and MCI, introduced VPN services for voice in the mid-1980s. Since then, VPNs have become the dominant service offering of the carriers to large corporations and almost all of the top 1,000 companies use the service, as do many smaller organisations.

rather than risk investment in rapidly changing technology.

"Customers have been looking very closely at what they want to provide and manage," he says. "For some it will remain economic for them to continue to operate their own networks." But for a substantial proportion he believes Cen-

invested heavily in recent years in providing both national and global VPN services. Mercury, in conjunction with its parent, Cable & Wire less, and partners such as US Sprint, provides an end-to-end service under the GVPN banner and BT provides a global service called International FeatureNet service which was launched in 1990 and offers onnetwork connections to the US VPNs and off-network connec tions to a number of other countries.

called FeatureNet 5000. One of its latest customers is Saga, the UK-based international travel and financial services group. Saga's new system includes a VPN and an automatic call distribution (ACD) system providing digital switching technology to handle domestic dial-up calls and most of the voice and data traffic that would normally require dedicated leased lines.

Saga can increase or reduce call capacity at two hours' notice, for example to accommodate extra traffic generated by marketing activity.

Meanwhile, Mercury is actively pursuing outsourcing business. Early last year it won two big contracts, one from TSB and the other from GEC and, according to Mr Sexton, itis negotiating several others at the moment

channels operating in concert will be able to transport an DMT also carries a 384Kbit/s

A further basic rate ISDN

administration and billing functions.

receive telephone calls over the same copper pair without affecting the digital transmission channels just described. What is more, because the ADSL is passively coupled to the POTS line, the subscriber's POTS capability is unimpaired even in the unlikely event of a systems failure.

Taken together, these chan-7Mbit/s that could take

Video dial tone also requires an interactive system that must permit automated, ran-

dom access media-independent storage and retrieval capabili-

Given the massive installed base of copper cable and the comparative expense of laving fibre optics, it seems likely that those systems that can exploit copper as a transmission medium will win a large share of the potentially huge video-on-demand market in the short and medium term.

Fibre will continue to be deployed and can carry more services than wire, but fibre to the home is a long-term prospect whereas fibre to the workplace is with us now.

and TV interests could well be more interesting than some of the programmes on the box.

Martyn Warwick

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bilities overlap.

ne of the main tenets of organisations operate most effectively when they focus on those core operations where they have special exper-tise - and buy-in the other ser-

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clients. These range from relatively

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stantial capital investment. Centrex services have been

These services are offered in the UK by a wide range of companies including the two domestic network operators and international competitors such as AT&T. For example, Mercury offers its Telecommunications Facilities Management Service under which Mercury staff supervise, operate and maintain a corporate netprovide

round-the-clock technical sup-● Virtual Private Networks functionality of a private network based on leased circuits

public telephone network on a national or international basis. At its simplest, a VPN offers usinesses a way to link the switchboards on different office sites - even if they are in different countries - without

VPNs are one of the fastest

The growing popularity of VPNs reflects the fact that both sides of the communications industry – supplier and

Network operators are keen to provide VPN services because they are cheaper to provide than leased lines, they

ness and new international

But they are still quite rare in Europe. In Britain, VPN services so far have mainly been aimed at the large national and multinational companies. However, increasing competition between Mercury and BT, particularly for the big business customers, and tariff re-balancing in the late 1980s which changed the economics of private leased circuits in the UK has helped stimulate interest

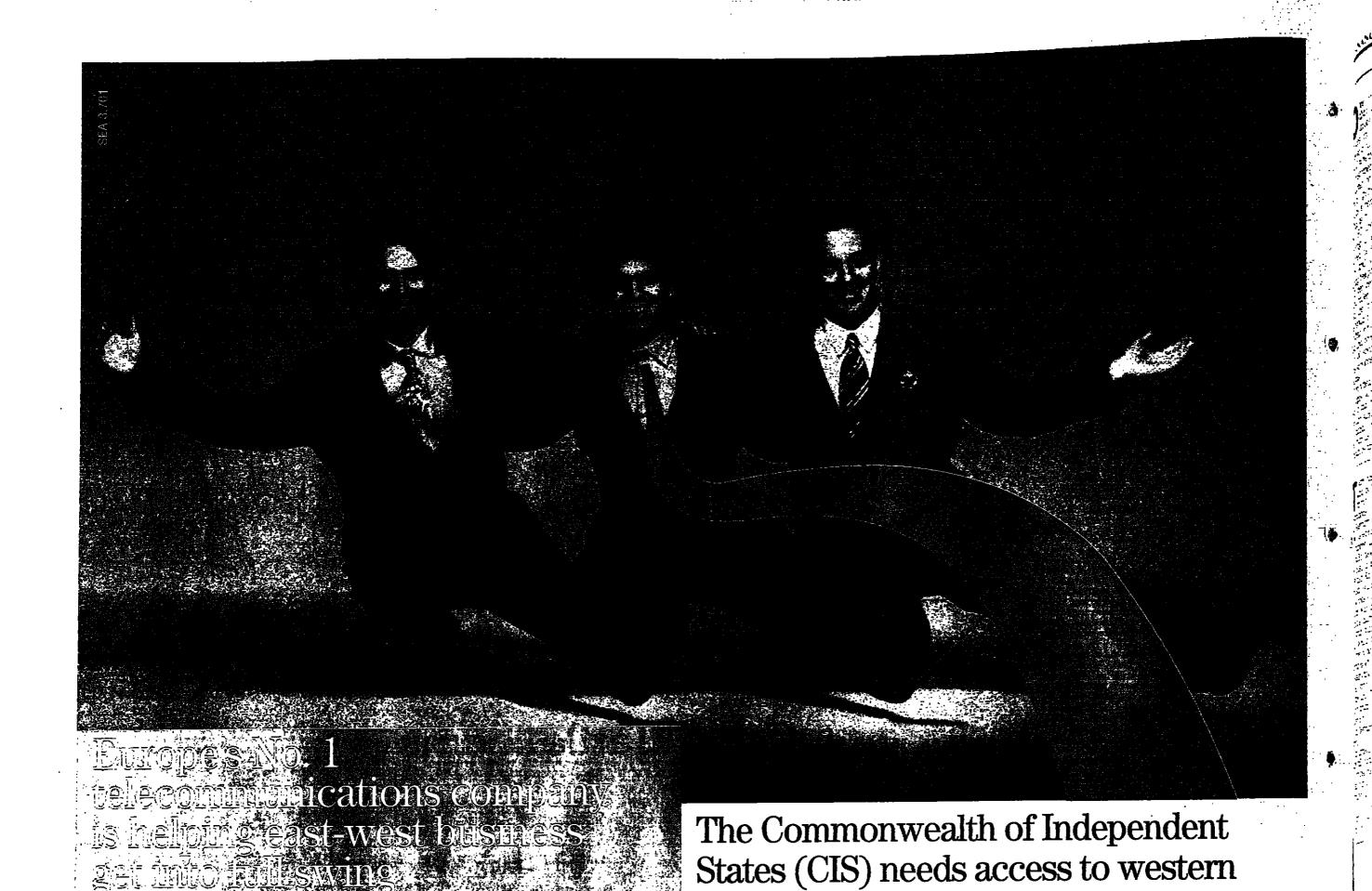
in VPNs. The recession also focused

management attention on what Mr David Sexton, customer director for managed network services at Mercury, calls 'sticking to the knitting." He also suggests that because we are entering a period of "technology churn" corporate users are more inclined to turn to outside service providers

trex, VPN or full outsourcing will make sense. Both Mercury and BT have

In Britain, BT's VPN service

Paul Taylor



market economies. Equally, many European companies are interested in developing new business relationships further east. A fully functioning telecommunications infrastructure is a fundamental prerequisite for meeting these objectives. And it's on this international, east-west stage that Telekom is currently making a vital contribution.

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DISCOUNT SCHEMES

Teams of experts ponder the options

This is no longer the case. Since 1991, BT and Mercury have been offering a sliding scale of discounted telecommunications services, and large users have been buying telephone calls for as much as 20 per cent less than the infrequent caller.

But the introduction of discounts has brought with it a new problem: deciding which discount scheme is best, and predicting in advance the level of spend on telecommunications services over a period of three

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Even when it is clear which of the packages offered by one operator is best, it can be difficult to compare discount schemes offered by BT on one hand, Mercury on the other, and increasingly, cable television companies and other competitors.

announced plans around that time

to build new telephone networks are close to delivering a service.

British Rail Telecommunications,

British Waterways and National

Networks - the start-up company

which was going to use the Post

Office's internal network - all came

up with plans to build networks

that would connect the main UK

centres of population. But none are

Meanwhile, US telephone compa-

nies Sprint and American Tele-

phone and Telegraph are banging

their drums loudly but have no

intention of duplicating BT's, or

even Mercury's less extensive net-

are still waiting for the government

to process their licence applications.

But even after licences have been

granted and the operators have

secured financial backing and

started building their networks,

most new telephone companies are

In fairness, most of the applicants

laying down telephone lines yet.

only ever likely to target a very small number of high-spending large business customers.

Large companies have telecom-

munications managers and teams of

experts who can work their way

through the different options and

decide what mix of services suits

But the small and medium-sized

business, where telephone services have only ever merited the same

care and consideration as gas, elec-tricity or water supply, often lack

the expertise and resources to make

Those companies which make the

wrong choice, or make no choice at

all, may lose the opportunity to

make savings on one of their big-gest items of expenditure and one

which will rise as we move towards

BT introduced the first bulk dis-

counts in 1991. Mercury, which was

offering discounts of between 10 per

cent and 25 per cent on all

an information-based society.

the right choice.

companies and Mercury Communiup the whole of the country.

Most of the new competitors, therefore, are planning to build networks which rely heavily on the national infrastructures already in place courtesy of BT and Mercury. A new breed of telephone companies called resellers are the clearest example of how it is possible to

Resellers lease private circuits on long-distance and international routes from BT and Mercury, and resell capacity on these routes to

A reseller can connect its customer to the BT or Mercury private long-distance and international routes, was stealing some of BT's biggest accounts and the former monopoly needed a defence.

BT's discounts apply on a site-by-site, or a multi-site basis. A company which houses all its operations under one roof would choose a site-by-site discount scheme. But for businesses with many different sites dotted around the country each generating a small amount of traffic - for example a chain of shops - a multi-site scheme

could prove more attractive. The site-by-site discount packages are called Option 15, Option 45, Option 50 and Option 70. For quarterly payments ranging from £3.40 to £275, users qualify for discounts on BT's basic call charges of between 10 per cent and 16 per cent. Residential and small business users usually opt for Option 15 or

Option 45 because their quarterly spend is not high enough to make it worth their while paying the high up-front cost to qualify for maxi-

mum discounts. Option 2000 is BT's multi-site discount package. With this tariff option there are discounts on total

Deciding which combination of discount packages is right for your business is not easy

call charges generated by several sites. The same principle applies as with the other Options packages; users qualifying for discounts of between 14 per cent and 16 per cent m return for up-front quarterly payments of between 14 per cent and 16 per cent.

For every BT Option, Mercury has a discount scheme of its own. For Options 15, 40, 50 and 70, read Frequent Caller Programme Levels One, Two, Three and Four, all of which offer higher discounts on basic Mercury prices the greater the quarterly payment.

Mercury has a set of discounts for its directly connected customers on the one hand, and indirectly con-nected customers on the other. As a rule, large users are connected directly - they have Mercury lines running into and out of their premises - and small to medium-sized companies take indirect services in which case they are connected by BT lines as far as the local exchange, but connect to Mercury for long-distance and international

For directly-connected sites, Mercury offers discounts averaging 5.7

per cent to 8.8 per cent in return for quarterly fees of between £300 and £700. Indirectly connected customers get discounts of 11.5 per cent to 17.4 per cent for national calls, and 18.3 per cent to 20.9 per cent for international calls after paying site

Mercury has another discount package called its Corporate Plan which is for multi-site businesses and to compete with BT's Option

Deciding which combination of discount packages is right for your business is not easy.

A niche has been created for independent consultants to provide expert advice, and there is increased demand for reports such as the Octagon Guide to Telecommunications Tariffs and the Guide to BT and Mercury Business Tele-phony Tariffs published by Infra-

Mark Newman

here has been a lot of huffing and puffing since the government lifted the remaining restrictions on competition to BT With BT, the cable television and Mercury in 1991. But few of the new telephone companies that

cations already poised for a two- or three-way fight for small to medium-sized business and residential customers - it will be a three-way fight if the cable television companies stop working in partnership with Mercury - it would be risky for any other company to embark on a multi-billion pound venture to cable

compete with BT and Mercury using their telephone network infra-

their customers.

circuit either with another private circuit, or by the public telephone network. In either case, a reseller buys the service from BT or Mercury, repackages it, and sells it to

Worldcom, the UK subsidiary of a Swiss telecommunications group, is one of 15 or so companies which consider that the UK offers attractive opportunities for resale. But Worldcom is the only company which has firmly established itself as a reseller and signed up big corporate accounts.

Worldcom offers services to the US and other leading international destinations at lower prices than either BT or the cheaper Mercury Communications.

already and is well placed to benefit from the liberalisation of resale serservices in Europe are limited. But the European Commission intends to force member states to drop all restrictions on resale within the

Other resellers are planning to enter the UK market over the next one to two years, all offering dis-

AT&T has not decided whether it will build a trunk network across the UK

counts to BT and Mercury on main routes. Most of these are new companies which plan to exploit the huge discrepancies between the actual cost and the price that is charged to the customer for delivering international services. Others are public telephone operators such as Swedish Telecom and Telecom Today, the opportunity for resale Australia which will offer interna-

tional services to UK subsidiaries of Swedish and Australian companies.

AT&T, the US telecommunications giant which applied in April for a licence to operate a domestic and international telephone network. AT&T has not decided whether it will build a trunk network across the UK. To build a network from

ness customers in city centres and offer them cheaper private circuit and public network services than BT or Mercury. It says it will make considerable savings on the con-struction costs of the network through the use of existing national grid infrastructure. It plans where possible to wrap optical fibre on overhead power lines as a cheap alternative to installing cable below ground – and it hopes to link its trunk network into local telephone networks that several regional electricity companies are planning to build

consultancy.

The Octagon guide concludes that Mercury 2100 - its directly con-nected service - is the cheapest telephone service. "Mercury savings over BT," it says, "are up to 9 per cent, after taking account of the best BT or Mercury options, rental charges and option charges."

structure, Technology and Commu-

nications (ITC), a London-based

ITC's key findings are that Mercury savings for single sites are between 5 per cent and 15 per cent for directly-connected sites, and up to 10 per cent for indirectly connected sites. On a multi-site basis, Mercury savings to BT range from 5 per cent to 10 per cent.

Medium to large businesses, however, will often require a mixture of BT and Mercury services and of single-site and multi-site discount packages. The savings on basic call charges for a company that mixes and matches different discount schemes is substantial.

Prudent management of telephone services is fast developing as an effective means of cost control.

New entrants beside Mercury

Competition is slow

It has more than 100 customers

This is clearly the attraction for

Community by 1998.

scratch would cost billions of pounds and it would take tens of years to recoup the initial investment. One option would be for AT&T to partner one or more of those new competitors whose projects are already far advanced. One such project is the proposed trunk network to be built by Ener-

gis, a company wholly owned by the National Grid company which operates the trunk electricity network in England and Wales. Energis plans to open the UK's third trunk

will connect 17 of the largest towns and cities in England and Wales. Energis is investing £100m a year in the network over the next five years and would welcome a partner such as AT&T to share some of the investment burden. Energis received its licence from the DTI in

Energis will initially target busi-

The other project most likely to succeed involves the delivery of local telephone services by radio. Ionica is a start-up company which has developed the technology to deliver local telephone services to telephone network in spring 1994. It residential and small business customers using radio tails and bypassing the BT local telephone network. Ionica reckons it can provide a service to half the UK population over the next few years at prices considerably lower than BT or Mercury.

Today, the only real alternative to BT and Mercury for most business customers are the services delivered by the cable television companies. The cable operators' franchise areas cover 14.9m households and businesses, although most of these are still in the planning or network building phase. Nevertheless, they have already installed more than 150,000 telephone lines and more than 20 per cent of the BT customers they approach are signing up.

Cable television operators are mainly targeting small business and residential customers, offering them prices some 10 to 20 per cent cheaper than BT or Mercury. Many of them are offering new services such as call waiting or call forwarding. Diamond Cable, the cable television operator in Nottingham, has introduced free local calls if they are made between cable television network subscribers.

Mark Newman

QUALITY OF SERVICE

Blunt message from survey

PRICE is not everything. Companies want a reliable telecoms service and if new entrants to the market will not provide it, business will not go

That is the blunt message of a detailed survey of user per-ceptions of the the UK's public network operators carried out at the end of last year by the Telecommunications Users Association which represents 1,100 companies nationwide spending at least £600m a year

on telecoms between them. The survey, of 1,000 companies, analysed the service provided by BT, Mercury and a few smaller providers.

Overall, satisfaction levels were high. BT generally scored better than Mercury, but there was little in it and on most measures of service quality more than two-thirds of users professed themselves "very" or "fairly" satisfied.

However, there were still some serious gripes. BT users were particularly concerned

 Rilling. Concern was not so much about accuracy as frequency, layout and content.

A recurring theme was the difficulty of calculating prices and comparing tariffs with ever-more-complex discount schemes

BT has recently made improvements to the last two. but complaints about frequency from smaller users, and the timing of reminders and threatened disconnections

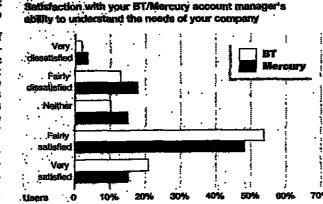
for all, are likely to persist. BT says it has no "set rule" on the availability of monthly billing. Larger companies qualify; whether small and medium-sized ones do depends, according to a spokesman, "on their size relative to others in their area". In London that means they "probably have to have a bill of several hundreds of thousands a year" - although a trial of monthly billing for all companies is under-

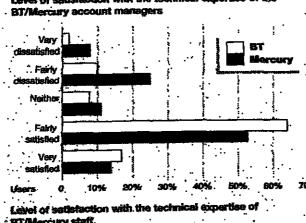
way in one area. As for reminders, the standard intervals are three weeks to a reminder, followed by second reminder and final notice. "However, precise intervals depend upon payment history", says the company. Good payers generally get greater leeway.

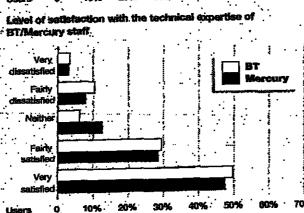
• The frequency with which account managers were changed, and poor handover. Some customers complained of having two or three account managers within 18 months. BT's heavy redundancy programme over the past three years which, says the TUA, has resulted in many customers feeling uncertain about

BT's future ability to deliver".

Customer satisfaction







Some "major customer problems" were reported. Despite this, the report continues: "a majority still felt that BT was grossly over-staffed" - so evidently the company cannot

• Information about tariff options. A recurring theme was the difficulty of calculating prices and comparing tariffs between operators, with ever-more-complex discount schemes. As competition intensifies, no improvement is to be expected on this score. Least cost-routing software and smart boxes can do the thinking for you when it comes to selecting operators for particular calls, but the latter have created problems of their own and some new users require large initial payments that also need to be taken into

With Mercury, the main complaints were: Network congestion, particularly in the Manchester, Birmingham and East Anglia

regions "and a general lack of ponsiveness Half of all respondents reported one or more recurring faults with Mercury. often as a result of network congestion or failure.

Mercury says that since last autumn it has completed new switches, upgraded existing ones, and improved inter-connect arrangements with BT to relieve congestion in all three areas, "so there are no longer such traffic jams".

 Billing, with "bills for large amounts being sent sporadi-cally and inadequate machinery for dealing with complaints. Mercury says it is "examining" a new billing sys-

tem, but has yet to make an "An overall feeling that thin on the ground and simply lacked the necessary resources." The company, which began life targeting City business traffic, still has

work to do assuring out-of-London customers that they receive equal treatment. It is too soon to pass judgment on the service provided by the 58 cable TV companies laying networks in the local loop. Indeed, most of the com-plaints against them have not been about the service provided, but rather the absence

of any cables providing service in the first place. BT's Westminster contract area is a prime source of complaints. although BT recently promised to take the contract seriously and make the outlay require to fulfil its licence. However, one new entrant

wins plaudits from the TUA: Worldcom, a fast-growing London operator linking private networks into leased national and international leased lines. which has applied for a public telecommunications operator licence to enable it to offer services via the switched network.

Worldcom branched out from the leased line business barely 18 months ago, yet now has 80 customers and has only lost one since - and that was not to do with quality. Claiming to charge up to 15 per cent less than Mercury, it is no wonder that the City is discovering it fast.

Mr David Hardwick, Worldcom's managing director, says its ability to maintain quality is no surprise. "After all, our equipment is the same as that used by BT and Mercury – and virtually all our staff come from one or the other." Including Mr Hardwick himself, who left BT four years ago.

Unsurprisingly, the TUA members are keen to see greater competition. Only 31 per cent thought there was "adequate" competition. The rest wanted to see more, in three areas in particular: the provision of analogue private circuits; in local calls (where BT still has a virtual monopoly - and will continue to over much of the country even when and if the local cable companies start attracting customers en masse); and in geographical areas where Mercury is weak.

"An overriding majority of the users outside the Greater London area felt there was no real alternative to BT", conclude the TUA. As one user put it: "The problem is, who will want to service the rural or unglamorous areas?" Who

Latching on to demand

Syncordia and the emergence of global supercarriers

telecoms companies are in or entering the business of providing a "one-stop shop" for companies, servicing and managing as much of their telecoms needs as they are pre-

pared to put out of house. In the UK, both Mercury and BT have managed services divisions. Last month. BT named its domestic outsourcing unit "Communications Management", targeted at companies with large and complex private networks on the day it. announced a £5m five-year contract to take over the ownership and management of Thorn EMI's internal UK telephone

network. However, BT's outsourcing strategy does not stop at the Channel: one of its over-riding ambitions is to become a leading "global outsourcer". It faces stiff competition for the title from American Telephone & Telegraph, the largest US

BT and AT&T have latched on to a demand - part evident. part anticipated - from the world's 2,500-odd multinationals for a "one stop" global provider able to do everything from maintaining private networks to sorting out customer requirements with local telecoms companies in several countries while providing single billing and a single tele-

s port of call. Add into the equation the capacity of the international telecoms operator to provide the latest in network features, billing, servicing and high-speed data transmission facilities, and that makes your global outsourcer. As Mr Vic Pelson, president

of AT&T's communications services group, puts it: "Multinationals want communications services that give them global capabilities. And they want them now." There is nothing new in partnerships between telecoms companies to provide interna-

tional services. So-called "correspondent" arrangements to inter-connect virtual private networks across borders, and to provide services such as abbreviated direct dialling and single billing for traffic carried between two operators, have been in place for years. AT&T's Global Software Defined Network (GSDN) gives

it a correspondent link with 21 other international carriers. including BT; BT's counterpart, FeatureNet, embraces 14 carriers and has more than 100 customers. However, the latest outsourcing ventures by the two companies - AT&T's Worldsource

launched last month and BT's

Syncordia, started in 1991 - are

far more ambitious. Designed

Andrew Adonis | both to enhance the range and

telecoms companies. Most state one-stop international facility in Europe next year. for multinationals

Initial Worldsource services available later this year, will include virtual network services for voice and data communications, upgraded privateline services, frame relay service for high-speed data trans-mission and "one-stop shopfor ping" ordering. maintenance and billing, with bills consolidated in a customer's choice of country and cur-

marketing similar services, and both are investing heavily in upgrading overseas facilities, the strategies of Syncordia and Worldsource are starkly at odds. Syncordia, based in Atlanta, Georgia, was originally intended to be a strategic partnership with Germany's Deutsche Telekom and Japan's Nippon Telegraph and Telephone. But neither proposed link-up came off, with Deutsche Telekom breaking away

Although AT&T and BT are

and forming a rival enterprise with France Telecom. Syncordia will in due course be subsumed in a new \$1bn joint venture formed with MCI, the second-largest US carrier. The deal with MCI marks the end of BT's "go-it-alone" approach, and its attempt - presently before the Federal Communications Commission - to become a public operator in the US in its own right is expected to be ouietly dropped. AT&T, on the other hand, intends vigorously to pursue its application for direct access to the UK public

networks. Syncordia now has nine takers worth \$200m a year. These include a five-year contract managing BP's voice, data, video and messaging services among five sites in the UK and Stavanger, Norway; and the communications network of BP Chemicals among 11 sites in seven European countries. It is hardly taking the inter-

national telecoms world by storm - but then, says BT. "multinationals cannot be expected to outsource over-By contrast, AT&T's Worldsource was launched in Japan with two partners (Kokusai Denshin Denwa of Japan and

Singapore Telecom) and the

strong likelihood of three oth-

ers joining soon (United of Can-

ada, Telstra of Australia and

Korea Telecom). An entry into Europe is critical if Worldsource is to succeed. AT&T is budgeting to spend \$350m over the next five years providing facilities and upgrading equipment in Europe. Mr John Foster, director of AT&T's communications services in Europe, professes himself keen to talk to "almost

any" of Europe's telecoms

"OUTSOURCING" is now all quality of existing services, operators about a link-up, and their aim is to provide a truly expects to launch Worldsource nationals are in the market for

Because Worldsource does not give AT&T exclusive rights over its partners, most of Europe's state telecoms operators appear to have little to lose from participation. Unless, that is, they want to be global outsourcers themselves, and are anxious to give no succour to AT&T.

For companies such as Deutsche Telekom and Telecom France, AT&T's move is a challenge to them to clarify their international strategies and link up with partners, BT has already shown its hand, which could give the US operator problems in the UK. But AT&T is not restricted to BT: Mercurv and Energis are potential

partners.

the outsourcers? At Worldsource's launch, AT&T pres ented a formidable group including Unisys, Honeywell, Motorola and United Parcel Service. Its decision to launch first in Asia-Pacific is significant: the region has the world's fastest-growing telecoms sector, wide open to outsiders with cash and expertise - and is replete with multina-

tionals demanding better ser-However, one-stop shops and fancy services alone will not be enough to attract the multinationals. They already have top-notch telecoms managers. The bottom line will be criti-

Andrew Adonis



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Value-added services: The fax market

as much a part of office life as the old Remington typewriter once was. Prices have fallen fast and models are available for less than £400. This is starting to attract new users who want a machine at home either because they do some of their work there, or because it is a cheaper and more convenient way of com-

municating with relatives over-

oday, the fax machine is

The Swedish paper and pulp association estimates that fax machines will multiply from 5m worldwide in 1989 to nearly 16m this year and will reach 27m by 1995. A survey published in April by market researchers Gallup and Pitney Bowes Facsimile Systems shows that fax traffic is increasing at an astonishing rate in the UK - a rise of 133 per cent in the number of faxes sent and a 38 per cent rise in the number of documents

received by respondents.

Meredith Fischer of Pitney Bowes says: "At these volumes, companies should be taking control of their fax networks and forming specific policies." She believes there are huge sums to be saved. Companies can save money

 Using plain paper fax machines. These cut costs because they don't require expensive thermal paper. Plain paper is almost half the price - about 1.6 pence a sheet compared with three pence for thermal. In addition, plain paper faxes don't need to be

Falling prices attract new users

compressing data, which takes

away all redundant informa-

Routing fax traffic to data

lines. Faxes normally send

information in analogue form

(like the human voice). But it

is possible to convert Group 3

fax data into a digital format

which can then be sent over

the company data network. For

photocopied because they don't fade. Fischer estimates that it costs 60 pence to copy each document including secretarial time and paper.

Plain paper fax machines do cost more to buy - anything between £1,000 and £5,000. But the potential benefits are encouraging a lot of companies to trade up. According to the British Facsimile Industry Consultative Committee (BFICC), about half the fax machines sold in the UK are replacement machines and most of these are plain paper There are two kinds of plain

paper fax. Those which use ink-bubblejet technology (this gives near-laser-quality output) starting at £1,000 and those which use laser-light-emittingdiode (LED) technology starting at £1,500. The main players in the ink-bubblejet market are Canon and Panasonic. But most other suppliers, including Sharp. Panasonic, NEC, Canon Matsushita, Ricoh and Toshiba, sell laser or LED plain-paper machines. The market is very competitive and prices are likely to fall further. Buying faster machines. Facsimile machines with transmission speeds of up to 14.4 kilobits per second (kbps) are available from £1,500. They can



The BBC employs an Xerox 7033 Lan/fax server in its news de provide considerable savings CCITT standard (MMR) for on telephone charges over standard machines which operate at 9.6 or 7.2 kbps.

Using a 14.4 kbps fax working to the Group 3 industry standard, a short letter will take six seconds to send as opposed to 20 seconds on the average Group 3 fax. The improvement in speed has been made possible by a new

supplier, sends fax data over its worldwide data network. There is no incremental cost for doing this because the network is already in existence.

example, NEC, the Japanese

According to Mr Lester Davis, chairman of BFICC and product manager for telecoms products at NEC: "One probem in this area is the lack of standards for converting fax signals from analogue to digital. However, the CCITT recently ratified a version of the Group 3 standard - Group 3 bis - which will work over

the Integrated Services Digital

Fax machines which support

Network (ISDN)."

Group 3 bis should start to appear next year. They will be able to send data to similar machines at 64 kilobits a second, cutting transmission costs, or transmit to standard Group 3 faxes at lower speeds. Using advanced features. Top-of-the-range fax machines offer a lot of advanced features, many of which can help to cut costs. For example, some machines have the ability to send non-urgent faxes over-

night Of these, a number allow batch transmission of overnight faxes. They group together all faxes going to the same number and send them at the same time.

This can cut costs substantially because the "handshake" part of the call, in which a fax machine identifies itself to another, only needs to be carried out once.

 Cutting down on queueing. Many highly-paid executives waste valuable time hanging around at the fax machine waiting to send messages. Mercury has estimated that sending an average of 6,000 faxes a week will cost a company more than £100,000 a year in staff

Waiting time can be reduced in a number of ways, for exam-ple by giving users low-cost desk-top fax machines or by subscribing to third-party services such as BT's Featurefax or Mercury's Surefax, which re-send faxes or fax many destinations for user

Some high-end fax machines also allow users to scan a document into memory, type in the recipient's fax number, and then leave the machine to do the rest.

Another way of reducing the

fax queue is to equip standalone personal computers (PCs) or PC networks with technology which enables them to send documents straight into the fax network.

For example, the BBC's news and current affairs department has installed a Xerox Lan-Fax Express 21 (a combination of hardware and software) to connect all 20 of the department's PC network users to a single fax machine. This enables them to create, send, receive and view faxes without having

to leave their desks. There are a host of products for computer-fax ranging from plug-in fax cards (which can be cheaper than fax machines), to fax modems and servers. Some can be used to centralise management of faxes and improve cost control.

For example, Comwave's centralised fax switch will help Lloyds insurance and reinsurance broker C T Bowring cut fax costs by £500,000 over five

Of course, the fax is not always viewed as an overhead. At "white goods" supplier See-

board, field service engineers have been given NEC briefcase faxes (which plug into portable phones) so that they can order spare parts in front of the customer or get call-out details without going into the office. The company expects increased levels of efficiency and customer satisfaction.

Home users, too, are unlikely to face large fax bills. Their problem may be too few faxes

rather than too many. Mr Davis says the industry is working on standards which will simplify the use of database services for domestic fax users. Before long they could be using their Amstrad faxes to call up information from shopping catalogues or book

One day the home fax could be as much a part of everyday life as the electric toaster.

Joia Shillingford

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Vsat services

VW revives fortunes

GERMAN car manufacturer Volkswagen has revived the fortunes of a satellite-based business communications technology which was in danger of being suffocated by regulatory obstacles before it had even made its mark in Europe.

Volkswagen has awarded a contract to Scientific Atlanta of the US to install the largest internal satellite communications network in Europe. It will eventually connect 6,000 Volkswagen dealers in different countries and is to be used ior data communications and husiness television services.

Signals will be received and transmitted via very small aperture terminals (Vsat) dishes developed in the US that are only a fraction of the size and price of the conventional satellite dish,

Vsat networks the same size as Volkswagen are common-place in the US, but in Europe Vsats have been slow to take off. Previously, the largest two-way contract in Europe was a 150-terminal network run by the Italian government's department of social security.

There are a number of reasons why Vsats have failed to make their mark in Europe. First, the services that can

be transmitted by Vsat can also be delivered by terrestrial data communications networks. State-owned telephone operators across Europe control this business because they supply the private circuits vhich companies need to build their own private data communications networks. They also

operate public data networks. The public operators have been reluctant to unlock the potential of Vsats which are identified with small private service providers who could even threaten their own busi-

The development of Vsat services has largely been driven by private companies. But they have found the way blocked by the PTTs (post, telegraph and telephone companies) who control the sale of satellite capacity - Europe's telephone operators jointly own Eutelsat, the European satellite organisation - and who can resort to a number of tactics to hinder and delay the deployment of

networks. The biggest potential for Vsats lies in the installation of pan-European networks for companies with offices in several different countries.

It can be technically difficult and immensely time-consuming to piece together a pan-European network using leased lines, so a satellite network, which can be installed in a matter of weeks, provides an attractive alternative.

Volkswagen went for a Vsat network because it met the German company's requirement better than terrestrial links, according to Mr Klaus Schultz, Volkswagen's director of communications systems.

Availability of leased lines in Europe is poor, he says, and Vsats also give greater flexibility. The company will use Vsats to send information to its dealers and also plans a business television service in the future.

Three other leading European car manufacturers have also been pioneers in the deployment of Vsat networks. Renault of France has a two-way data communications Vsat network for its 140 dealers in eastern Germany.

The network was installed by Teleport Europe, the leading supplier of Vsat systems in Europe. Daimler Benz has linked 20 of its European subsidiaries on a Vsat network supplied by Deutsche Telekom. And last year, BT won a contract from Ford's UK arm to install a one-way Vsat-based television network for several hundred UK dealers.

Car companies are particu-larly suited to Vsat satellite systems because they have a

requirement for point-to-multipoint communications. Their central offices need to send and receive data from many outlying sites where their dealers are based

Campsa, the Spanish chain of petrol stations, is using a Vsat network to route informa tion from its main offices to petrol stations up and down the country. Campsa had to bully Spain's semi state-owned telephone operator Telefonica into installing its network. Telefonica is one of the public. operators which have largely ignored the arrival of Vsat

But the success of Vsats in the car industry has not been mirrored in other sectors.

While the unfavourable regulatory environment and the hostility of the public telephone operators have been crucial factors in the slow take-up for Vsats, there has also been a problem persuading businesses that Vsats provide a reliable and cost-effective alternative to terrestrial networks.

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"Service providers are affected by the image of the sector as immature, unstable, risky and under-resourced." according to report published by the Cambridge-based telecommunications consultancy 'Analysys earlier this year.

It says this perception will change in coming years, but for the moment, "No service

Many of the service to telecoms managers

provider has yet had time to establish a track record that could completely reassure the average corporate telecommunications manager.'

Many of the service providers are names new to corporate telecommunications managers. Teleport Europe was set up in 1990 specifically to offer Vsat services, while Scientific Atlanta is an established ser-

vice provider in the US, but has only started to make an

impression in Europe in the past year. Pricing Vsat services has been another problem. Few customers will switch from terrestrial solutions to satellite solutions unless there is a cost

Service providers are undercutting public telephone operators for large Vsat networks, but offer only small price

savings for smaller systems. Volkswagen, therefore, was able to achieve a lower price than if it had opted for a terrestrial network. But this will be the first two-way network with more than 1,000 terminals and most networks only have about 50 terminals.

Analysys believes that service providers will have to drop their prices for these smaller networks if they are to develop their busine

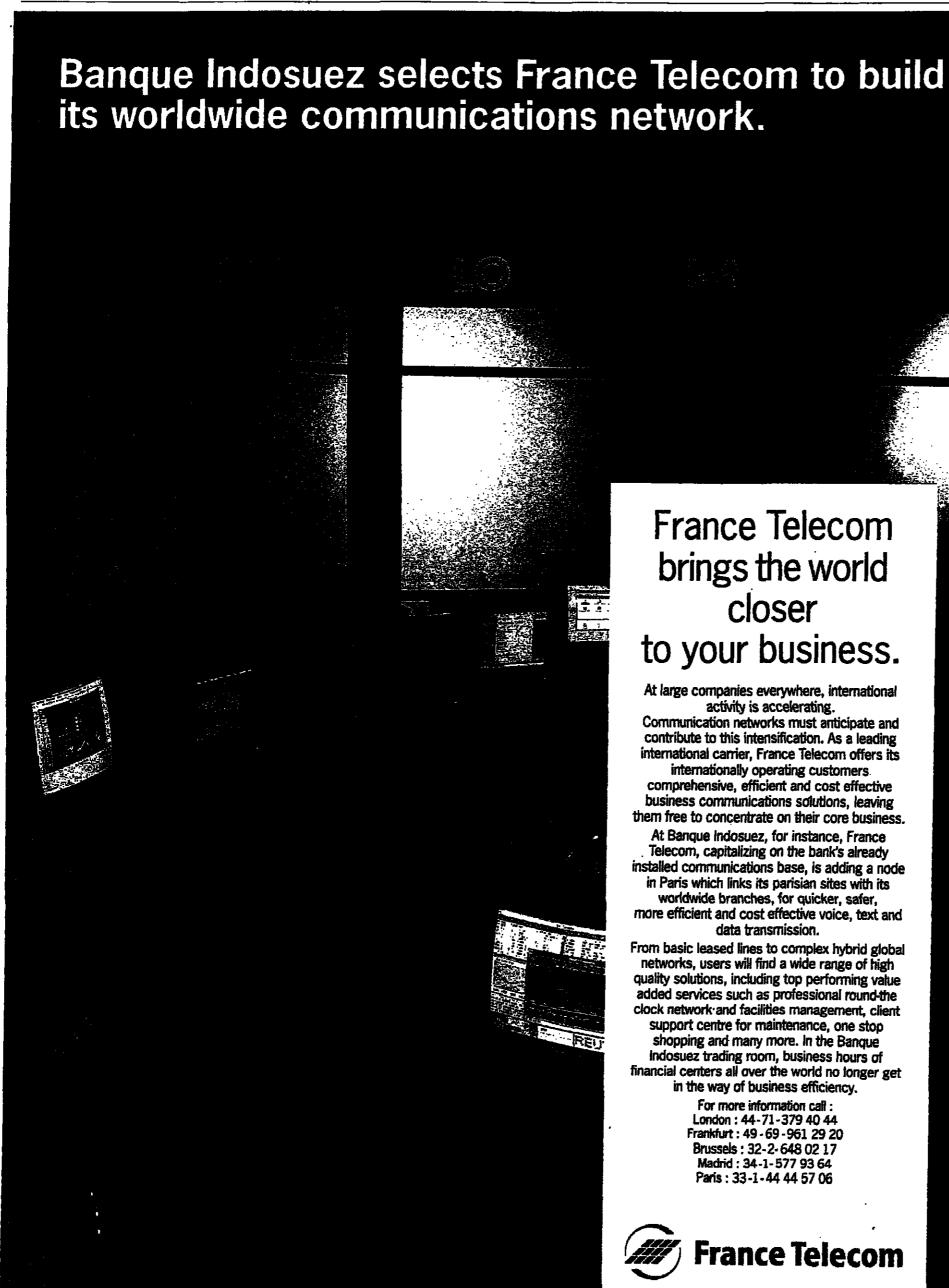
There has always been an expectation that Vsat services will make the same impact in Europe as in the US where leading corporations such as General Motors, Chevron and Chrysler have Vsat networks covering thousands of sites. There are well over 100,000 one-way and two-way Vsat terminals installed in the US, compared to less than 10,000 in

But several industry players now say that comparisons are invalid. In the US, the retailing, distribution and financial sectors have been the big sectors for Vsats.

Analysys notes that "the geographical spread of these services in Europe is much more restricted." There are, for example, no European equivalents of nationwide US retailers such as K-Mart.

Patterns of use may, therefore, develop very differently in Europe, according to Analy-

Mark Newman



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